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THEORY & PRACTICE OF CO-OPERATION IN INDIA AND ABROAD

VOL. I

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At a time when Co-operation has come to assume importance in this country because of assignment of a vital role in the two five year plans and as the scheme of reorganisation of Rural Credit suggested by the Rural Credit Survey Committee has been accepted by Government, this revised edition of Prof. Kulkarni's Theory & Practice of Co-operation Vol. I is very opportune. This volume is very wide covering various co-operative problems and controversies as also the live problems posed in the new context of national economic and social planning, Community Development Projects and National extension Blocks, Sarvodaya and Co-operation, etc. In 24 well written chapters, the Author has brought the contents of the book up-to-date which should make the reader co-operation minded and enable him to seek a co-operative approach to the solution of many of the present day problems.

Prof. Kulkarni has very well succeeded in his attempt, as he is certainly well ualified to treat the subject for he held he post of a Financial Adviser in the Coperative Department, Bombay State and w service in the Co-operative Movement r a number of years and has also been Senior Professor for over 9 years teaching subject at the Co-operative Training lege, Poona, which runs the All India ining Classes on behalf of the Central mmittee for Co-operative Training. e Author's treatment is clear without ng polemical and dogmatic and he has cussed the subjects in an objective nner. Prof. Kulkarni is also well known students of Co-operation and workers the co-operative field through his pular book on Agricultural and Coerative Marketing in India. We warmy commend this volume to all those who are interested in the development of the Co-operative Movement not only in this ountry but in all undeveloped and underveloped countries.

Price Rs. 16

THEORY & PRACTICE OF CO-OPERATION IN INDIA AND ABROAD

VOL. I

Revised and Enlarged

BY

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With an Introduction

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PREFACE TO THE 2ND EDITION

Nearly 3 years have elapsed since the publication of the first edition of this book and owing to the warm reception accorded to it by the public interested in the development of co-operation, and by co-operators and co-operative institutions in the country (for which the Author feels very grateful) all the copies were sold away much sooner than was anticipated. Further, the last few years have witnessed great developments in the co-operative field and co-operation as an instrument of democratic planning has been assigned a significant role in the development of our national economy in the two five year plans. A great contribution to co-operative thought has been made by the Rural Credit Survey Committee in this country inasmuch as it has emphatically recommended State participation and State partnership in co-operative enterprises meant as a solution to the social and economic regeneration of the under privileged and disadvantaged classes of our people. The book was, therefore, over-due for revision if it were to take note of and give a proper account of all the significant developments that have taken place in the economy of the country. In order, therefore, to bring the matter contained in the book up-to-date chapters dealing with the Place of Co-operation in the two five year plans, State Aid and Co-operation have been entirely recast. The chapter on Role of Co-operatives in the Community Development Projects has been in the light of recent experience, largely re-written. Appropriate changes in the textual matter have also been introduced wherever it was found that it required to be improved upon and brought into line with the present trends of thought. In view of the growing importance of 'In Service Training' of personnel to man the various co-operative institutions springing up in the country, both of co-operative departments and of important co-operative institutions, various courses of training and education have now been instituted under the auspices of the Central Committee for Co-operative Training and Education. It was thought fit, therefore, to add one more chapter dealing with Co-operative Training and Education. Similarly in view of a few concessions in regard to taxation given to co-operatives as

a result of the recommendations of the Taxation Enquiry Committee, the chapter on Co-operation and Taxation has also been revised. Again in the chapter on Co-operative Commonwealth a clear exposition of the conception of Socialistic Pattern of Society has been attempted. In view of the thorough revision of the book the Author hopes that this Revised Edition would eminently fulfil the purpose for which it is meant and would in consequence receive the same reception as was accorded to its predecessor. The Author again takes this opportunity to acknowledge his deep debt of gratitude to a number of authors of books and writers of articles, pamphlets or brochures on Co-operation from whose writings he has drawn the material.

Poona

The Author

PREFACE

As a teacher of the subject of History, Theory and Practice of Co-operation at the Co-operative Training College, Poona, for the past 6 years, I have found that one of the main handicaps of the students of co-operation is the absence of a suitable text book covering all the topics to be found in the syllabus prescribed for the H.D.C. Examination. Though there are several excellent works on co-operation written by eminent authorities on different aspects of the co-operative movement, there is yet no handy volume which enables students to have a clear grasp of the theory and principles underlying co-operation in its different branches. Books on the subject written by H. Calvert or Talmaki, though excellent in themselves, have not only gone out of date, but have also been out of print. Hence they are not at present available in the market. The syllabus in History, Theory and Practice of Co-operation is very wide and it is next to impossible even for a serious and diligent student to go through several books, articles, reviews as he will not have enough time, though the facilities for study are provided at the Co-operative Training College, Poona by making many useful books, periodicals and journals in the library accessible to students. In order to make a thorough study of the subject, therefore, a student has to be assisted throughout the course by the helpful notes drawn up by the teacher and culled from many books, and articles and reviews and this naturally results in considerable waste of time in the dictation of notes in the class-room. My writing, the present book is, therefore, an humble attempt to overcome the handicaps which the student at present experiences in the study of this important subject prescribed for the H.D.C. Examination. My plan is to present this study in three volumes, the first concerning itself with the Theory and Principles of Co-operation, co-operative problems and controversies and other important topics of the day, such as co-operatives and economic planning, co-operative under the Five-Year Plan, co-operatives in the community projects areas, co-operation and taxation, co-operative commonwealth, the. The Second volume will deal with a few of the important different branches of

co-operation in selected foreign countries and in the third volume it is proposed to deal with the different types of co-operative societies working in India. The problems presented by these societies and the solution offered to them will be treated at length.

In the preparation of this book, I have drawn upon various sources as the bibliography attached at the end would indicate. I take this opportunity, therefore, to acknowledge the debt of gratitude I owe to the numerous authors of the books and writers of articles and reports, from whose works and writings I have drawn material and inspiration. In presenting the material I have tried to maintain a simple and lucid style and to make the subject-matter as interesting as possible. I have also done my best to make the book as accurate, useful and up-to-date as possible.

From the contents of the book it will be observed that I have tried to cover the whole portion of the Theory prescribed for the H.D.C. Examination. I believe that the material presented in the book will also be useful for students reading in other intermediate grade training colleges of co-operation which are already set up or going to be set up in other States in India and when a common syllabus pertaining to the subject of History, Theory and Practice of Co-operation is evolved. I am also confident that the book can be used with considerable advantage by students reading for the G.D.C. and A. Examination in the Bombay State and also by commerce students who choose Co-operation for their optional subject for their degree examination. Similarly, students reading for C.A.I.B. Examinations in India will find ample material in the book useful for the purpose of paper on Co-operation. I believe the book will be also useful to co-operative workers in the field.

Shri V. L. Mehta, Vice-Chairman, Bombay Provincial Co-operative Institute has laid me under a deep debt of gratitude for having contributed a brief introduction to this book in spite of the many urgent calls on his time.

I must also express my sense of gratitude to the Chairman of the Co-operative Training College Committee, Sir J. A. Madan, C.S.I., C.I.E., I.C.S. (Retd.), for having accorded to me the necessary facilities for writing this book. Finally, I must thank the Aryabhushan Press, Poona, for the painstaking manner in which the work was expedited.

Co-operative Training College
Poona.

Author

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INTRODUCTION

It is now nearly three decades since a comprehensive treatise on the Co-operative Movement was published in India. For the Publication we were indebted to one of the finest and most selfless workers of the times, Rao Bahadur S. S. Talmaki. But "Co-operation in India and Abroad" is no longer available and the author is, alas, not in our midst to give us a new edition. The present publication I look upon as a revised version of that earlier treatise, although I am aware that while the title of the late Shri Talmaki's book seemed to cover the history of Co-operation and its working in practice, the title of volume I of Prof. K. R. Kulkarni's new publication indicates that it deals with theory and practice and not with history in India or abroad. Shri Kulkarni deals with practice almost as extensively as was done in the earlier publication, if not more so. That, in my opinion, adds to its value, for it relates the treatment of theory and principles of Co-operation as it is in operation. It is an advantage too that it makes it possible for principles to be viewed against the background of Indian life and of the movement as it has developed here during the last half a century.

A full exposition of the theory and principles is necessary, not only for students of Co-operation or for those under instruction at various training centres, but for all workers, whether in rural or in urban areas, whether in primary units or in federal institutions, whether in small-sized societies or in the large organisations that we often have at the apex. Critics, both official and non-official, Indian and foreign, there have been in plenty, almost from the very inception of the movement until today, who consider that, by and large, Co-operation in India had failed. It is indubitably true that the early expectations have not been realized, it may be that Co-operation has not become a vigorous people's movement as it is in some countries, for instance, in Finland or Denmark. In the first place, social conditions are different here from those in these small-sized countries. But, even then, on analysis it may be found that our difficulties, where they do not arise from the

conditions of the extremely backward economy in which Co-operation has to operate, are attributable to our sad conscious or unconscious deviations from Co-operative principles.

Without a clear understanding, again, of theory, quite a number of us, co-operative workers, feel lost when there are all types of social changes mooted in our midst and there is a conflict of idealogies. Some of us still believe that the best government is that which governs the least and that the further away we keep the Co-operative Movement from the State the better for its purity. Others there are who hold the view that co-operation cannot flourish except under a highly socialized order. In between come those who espouse Co-operation because it represents the middle way. In discussing the alternatives to Co-operation, Prof. K. R. Kulkarni quotes appropriately from Prof. Harold Laski, who observed that the essence of Co-operation was a denial that the profit-making motive could ever produce a just and humane society. If Co-operation cannot be reconciled with any social order it is with that which is synonymous with capitalism.

With the nation's mind attuned now to a socialistic pattern of soceity, it becomes the duty of co-operators to examine how the movement to which they belong fits in into that pattern and having done that to equip themselves and their institutions to occupy their rightful place. In discharging this duty, they will find that Prof. Kulkarni's exposition of principles and theory will come in as very handy. Without being polemical or dogmatic, he has discussed in an objective manner the two sides that there are to every controversial question. Such a treatment is bound to be helpful both to the students and to the practical workers. For all these the book will provide a valuable introduction to a movement which aims at the building up of a democratic order in several if not all the sectors of our economic life in which work of construction all have to participate and contribute with knowledge and understanding.

Vaikunth L. Mehta

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CHAPTER I

INTRODUCTORY

What is Co-operation?

Co-operation in its comprehensive sense of joint working of two or more persons for a common cause is no new principle. It is as old as human society itself. From the earliest times human beings have not only found it advantageous but also congenial to work together. Nothing has more contributed to the economic and social welfare of the human race than the practice of co-operation. The larger the sphere in which co-operation is practised, the greater is the increase in the amount of this well-being. Instances of co-operative effort are found in early civilisation periods. History records the organisation of the first credit and savings bank in China for the purpose of enabling devout Chinese to defray the expenses of their pilgrimage. Crop protection against incendiarism and theft etc., was another incentive for some sort of co-operative organization in China. Some irrigation systems of medieval times were also constructed and managed co-operatively. The practice of combining for the mutual supply of money has been in existence as "chit fund" in Southern India, chiefly in the Malabar and the Tinnevelly Districts in Madras State long before the introduction of co-operative legislation in India. Combinations of cultivators residing in the same village or group of villages technically known as "Fad" are known to have existed since a long time for the purpose of cultivating a commercial crop like sugarcane in the Kolhapur District and surrounding parts in the Bombay State. These are in essence co-operative groups formed for a common purpose and joining their forces of labour and capital resources into the common undertaking. The system is practised even today on a large scale.

2. The sort of co-operation practised in these voluntary bodies is largely conscious co-operation and the activities are controlled by the co-operating units. In the world in general to-day some sort of co-operation is the rule; but in the matter

of production of goods and flow of services we find that co-operation is largely unconscious. It is obvious that a large number of people have to combine in the process of making of all material goods and the provision of all services required by us as consumers, but what is surprising is that none of the co-operating units knows each other, nor is it aware that it is operating as a link in a vast chain of productive process. Thus the production of wealth is in itself a co-operative process and agents of production of wealth are land, labour, capital and organization. All these must be brought into co-operative relationship before wealth can be produced. Although co-operation is found to exist in the production of wealth, it does not imply that the owners of the factors of production are agreed as to the distribution of the wealth so produced. The landlord tries to obtain as much as he can in the form of rent, while the worker seeks to get as much as he can in the form of wage, and the capitalist tries to snatch as much as he can as interest and finally the organizer seeks to pay the other factors of production as little as he can out of the sale proceeds of wealth produced, so that he can claim for himself as large a share of the surplus left as possible.

3. This inequality in the sharing of wealth produced leads frequently to lock-outs and strikes resulting in a suspension of industry and consequent loss to the community as a whole. These evils arising from the present predominant organisation of industry and commerce are sought to be remedied by organising the same based on co-operative principles. Co-operation stands for distributive justice and asserts the principle of equity, ensuring to all those engaged in the production of wealth a share of profits commensurate with the degree of their contribution towards the making of it.

4. Co-operation is a special mode of doing business and at present is applied in the solution of many economic problems. Co-operation is harnessed to almost all forms of economic activity. Though co-operation was introduced in this country as a remedy for rural indebtedness, it has been applied successfully in a wide range of activities such as production, distribu-

tion, banking, supply, marketing, housing and insurance. Most of the co-operative societies have been born out of the economic needs of their promoters, but it must not be assumed that their sole objects are economic only, as most of them have also social objects as well. If the satisfaction of economic purposes is kept prominently in view, it is because these needs are more pressing than others.

5. Mr. C. R. Fay has given a clear analysis of the difference between co-operation and three other similar organisations with which it is likely to be identified, viz., the friendly society, the joint-stock company and the trade union. A co-operative society exists for the purpose of carrying on business, while a friendly society does not do business. It provides for its members out of savings effected by them against such contingencies as sickness, accident, old age or death. A joint-stock company is similar to a co-operative society but it essentially differs from it in that it is the union of capital and is primarily established with a view to declaring dividend on capital, while a co-operative society undertakes business with a view to improving the conditions of life of all those participating in it. Again a trade union does not do business but attempts a proper organisation of the conditions of business or Industry with a view to protecting the interests of the employees as against the employers. It exists for the purpose of ensuring satisfactory social, economic and political conditions of workmen; but it does not take part in the industry itself.

6. **Co-operation seeks to eliminate the middleman.** With an increase in the specialisation of industry and perfection of the division of labour, the process of production of wealth gets more complex, with the result that in a highly developed modern society the producer and the consumer tend to get wider and wider apart and a host of intermediaries appear on the scene. This naturally reduces the share of the final price paid by the consumer to the primary producer as with the increase in the number of links between the producer and the consumer, the cost of marketing tends to increase. It is here that co-operation is invoked and it sets its face against the un-

necessary multiplicity of middlemen and seeks to organise the producers on the one hand and the consumers on the other, so that they can come closer to each other by eliminating the middleman through the process of what is known as integration. Thus co-operation seeks to prevent the exploitation of the weaker sections of the community by the stronger ones.

7. Political Theorists tell us that human society has progressed from status to contract. But past experience has shown that a contract entered into between persons who are unevenly situated generally results in injustice to the weaker of the two. It is common experience that under the terms of a free contract, the economically and politically strong always exact better terms from the weak to the detriment of the latter. With an enormous accumulation of wealth getting into the hands of a few, under the existing capitalistic order of society, the gulf between the rich and the poor tends to widen and the rich grow richer and the poor become poorer. The main problem of the twentieth century has been, therefore, to strike a proper balance between these two extremes, so as to obtain some sort of equality. Theories of socio-economic organisation like socialism, communism, etc. have been put forward and sought to be implemented in order to bring about some sort of equality and an equitable distribution of wealth. The intensity of the feeling of wrong or injustice which the important sections of the community are smarting under against the all-pervading regime of capitalism has given rise to co-operation in one form or another in almost all countries of the world. It may be noted that each country has developed a form of co-operation suited to the genius of the people and the necessities of the economic situation for the time being. Thus co-operative development differs in type and extent between the various countries, for example, Great Britain is the birth-place of the consumers' co-operative movement which has now encircled the globe. Denmark has been famous for the most extensive agricultural movement in the world. Germany has given us the rural and urban credit societies which are associated with the world famous names of Raiffeisen and Schulze-delitsz. Sweden has been to the fore because of the success

of the Swedish co-operatives in fighting capitalistic combinations. Japan deserves mention because of the development of its credit co-operatives and co-operatives for its fishermen. Thus practically in almost all countries, co-operative activity in one form or the other is found, and the advantages of co-operative principles and the co-operative method of doing business are being increasingly appreciated and implemented in actual practice. The United Nations Food and Agriculture Organisation Conference, the U.N.R.R. Aministration and the International Labour Organisation have all within the last few years paid tribute to the social and economic achievements of co-operative societies and look upon them as having an important role to play in the establishment of the future socio-economic order of society.

8. **Co-operation, a great moral Movement.** The co-operative movement is a symbol of hope to the down-trodden and embodies self-help and mutual aid among its votaries producing a sense of self-respect and brotherhood amongst them. It it essentially a socio-economic movement having a business organisation similar to other free and voluntary associations, but it essentially differs from others in that it has a moral background and a philosophy of its own. The difference lies not so much in the method or technique applied in doing business as in the outlook or approach to the solution of many socio-economic problems confronting society. Co-operation represents a new spirit and a spirit of self-reliance and of group action. It is prompted by a desire to do service to one's fellow-beings and "each for all and all for each" is the motto which it adopts and which emphasises the moral basis of the movement. The Committee on Co-operation in India emphasised the moral aspect of co-operation in no uncertain terms when they wrote:

"The theory of co-operation is very briefly that an isolated and powerless individual can, by association, with others and by moral development and mutual support, obtain in his own degree the material advantages available to wealthy or powerful persons and thereby develop himself to the fullest extent of his natural abilities. By the union of forces, material advance-

ment is secured and by united action self-reliance is fostered and it is from the interaction of these influences that it is hoped to attain the effective realisation of the higher and more prosperous standard of life which has been characterised as better business, better farming and better living; we have found that there is a tendency not only among the outside public but also among supporters of the movement to belittle its moral aspect and to regard this as superfluous idealism. Co-operation in actual practice must often fall far short of the standards aimed at and details inconsistent with co-operative ideals have often to be accepted in the hope that they must lead to better things. We wish clearly to express our opinion that it is to true co-operation alone, that is, to a co-operation which recognises the moral aspect of the question that Government must look for the amelioration of the masses and not to a pseudo-co-operative edifice, however imposing, which is built in ignorance of co-operative principles. The movement is essentially a moral one and it is individualistic rather than socialistic. It provides as a substitute for material assets honesty and a sense of moral obligation and keeps in view the moral rather than the material sanction."

9. **Services of Co-operation in other Spheres of Life**— In addition to its services in the economic, social and moral spheres, co-operation has also immense potentialities in educating the mass of people in citizenship or political life. The proper use of the vote in electing representatives to democratic bodies, group action for a common objective, self-help through mutual help, practice of thrift, a spirit of compromise in the solution of controversial problems are some of the achievements already to its credit and co-operation has generally led to an economic and social regeneration of the countryside in various directions in many countries. It is unfortunate that the lessons of the two great World Wars within the space of a few decades in the present century, which shook civilization based on individualism and competition to its depths have been lost on mankind; the conflict of ideology which permeates the world to-day dividing it into two power blocs is assuming serious proportions and threatens to disturb the peace of the

world once again. It is evident, therefore, that unless the basis of human action as also of State action were 'co-operative,' it would be difficult to banish forever class conflicts or feuds and international wars. It has still to be realised that continuous progress of human civilization and culture requires the practice on a large scale of the basic principles of distributive justice underlying the co-operative movement not only between individuals but also among the nations of the world. If the individual is made the basis of the new socio-economic order of society, it would be capitalism again, and if, however, the State is accepted as the basis, it would be managerial bureaucracy and regimentation of life. As between these two opposing approaches for the reorientation of society, it is co-operation which bears a new outlook on life that may be regarded as the possible middle way.

10. A redeeming feature of the situation is that development of a country now is judged not so much by the excellence of a few individuals as by the uplift of the many. This principle has already received recognition in this country in the introduction of Community Development Projects, forming part of the Country's Five Year Plan with the avowed object of effecting the socio-economic betterment of the many by increasing the country's agricultural efficiency and the productive power of the people through modernised agricultural methods and reclamation of vast tracts of fallow lands. Again, the doctrine of Laissez-Faire as a basis of State action in the economic sphere is now definitely discarded and State Regulation, whenever and wherever absolutely necessary, has become the accepted principle and the State itself is gradually assuming the functions of a Welfare State. The modern State is no longer a Police Raj but is expected to promote the welfare of the people by providing work, educational facilities, public assistance in cases of unsatisfied want, humane conditions of work and protection against exploitation. In this context it would be interesting to draw attention to Article 39 of the Directive Principles of State Policy contained in Part IV of the Indian Constitution which lays particular emphasis on distributive justice. It reads as under :—

"The State shall in particular direct its policy towards securing

(a) that the citizens, men and women, equally have the right to an adequate means of livelihood;

(b) that the ownership and control of the material resources of the country are so distributed as best to subserve the common good;

(c) that the operation of economic system does not result in the concentration of wealth and means of production (to the common detriment)."

11. **Economic Planning and Co-operation**—Since the onset of the Economic Depression of the 1930's the world has become more and more plan-minded. It is increasingly realised also that left to themselves the economic forces would hardly bring about an equitable and optimum distribution of the economic resources of a country to the maximum social advantage. Planning implies the recognition of the dangers of chronic mal-adjustment of resources, implicit in the present capitalistic order of society, and it is this realization that has led many countries to resort to planning and this country also is no exception to it. India in common with other industrially backward or undeveloped countries, has an additional reason for going ahead with economic planning. The considerations of defence, social justice and security, rehabilitation of displaced persons justify economic planning. A peaceful socio-economic and industrial revolution has to be effected within the shortest possible time, so as to bring about the greatest good of the greatest number at minimum cost. A Planning Commission has been constituted by the Union Government to draw up a comprehensive plan of economic development of the country. The revised First Five year Plan framed by the Commission, it must be admitted, is a bold experiment at an assessment of the country's resources and the social and economic needs of the people. It is gratifying to find that the Commission has shown a real appreciation of the need for, and the desirability of, a co-operative approach to the various problems in the field of credit, farming, housing,

small-scale and cottage industries and distribution, which are facing the country today. In making its recommendations, the commission has also realized the fact that the co-operative society has an important part to play as the most suitable medium for the democratization of economic planning. The All India Co-operative Planning Committee write in this context :

"In carrying out its plans the State will wish to enlist the goodwill of the sections of the community for and through whom planning has to be undertaken. In this task it can derive considerable assistance from a body organized for a definite economic purpose and designed to carry out effectively this work of education and the awakening of a live interest in schemes of social and economic betterment. The co-operative society will study the implications of the plan and explain them to the individuals who constitute its membership. By making the plan popular it will better create the atmosphere needed for its execution voluntarily."

In this connection, it would be interesting to note that the Bombay State Co-operative Council—an organization set up to prepare projects of economic development and devise methods for their implementation has called upon all co-operators in the Bombay State in one of its recent resolutions to help whole-heartedly in the working of the Plan and in particular,

(a) To formulate concrete plans of progress in their respective field of action and to coordinate them with reference to all aspects of planning for the district, the region and the State;

(b) To help in making co-operative business financially as self-supporting as possible by mobilizing through existing and new co-operative societies the savings of the rural population and of people of small and medium means in all parts of the country;

(c) While appreciating the vigorous efforts made by the State Government to ensure the extension and consolidation of

the co-operative movement during the last few years, the Council urges the State Government.

(i) To facilitate the early establishment of co-operative marketing and consumers' societies in all parts of the State; and

(ii) To ensure that its authorities in all departments and at all levels do in fact carry out its directions in respect of the speed and progress of co-operative agencies.

CHAPTER II

DEFINITION OF CO-OPERATION

It is not an easy matter to define what "Co-operation," as understood in its technical sense of a special mode of doing business means, but attempts have been made by various writers to define it. The various definitions so framed have been necessarily found to be so vague that they shed little light on the essential attributes of "Co-operation" as distinguished from similar other modes of doing business. While descriptive definitions have been attempted by sociologists, those attempted by the lawyers have been simply confined to the minimum characteristics which must be found in an organisation, if it is to be called 'Co-operative' and to enjoy the several privileges and concessions conferred on it by law. This is due to the fact that the origin of co-operative activities in different countries varied with the occasion dependent on the principal need for which a co-operative solution was urgently sought, and to the fact that the forms of co-operation which are largely successful have grown up almost unconsciously as practical solutions of obvious difficulties rather than as an embodiment of a distinct theory of economic organisation. The classic instance of distributive co-operation may be cited as an outstanding example in this respect. The twentyeight flannel weavers of Rochdale in England, who had tried unsuccessfully to establish a textile mill, were idealists and their idealism was tempered by their immediate necessities as workers. Their greatest need was the supply of necessaries of life at reasonable prices; and towards this end, they started a small store in the Toadlane, but having a lofty idealism behind it. The foundations of the great distributive movement having thus been truly laid, the experiment showed, even in its later stages of development, an intensely practical strain. The sponsors of the experiment were men endowed with practical outlook on life, and they were ready to make changes in their system, when such changes were called for. They were also inspired with a high sense of service to their fellow-beings in the making of the experiment. Thus the movement has grown

everywhere out of circumstances, and it is even now moulded by environment in all its phases while embodying lofty ideology of its own. In order to understand the movement correctly no attempts should be, therefore made to read into it a clear-cut and consistent theory of economic organisation.

2. Coming to the definitions attempted by various writers, we may first take up the definition given by Holyoke. He defines "Co-operation" as "a voluntary concert with equitable participation and control among all concerned in any enterprise." As a result of the industrial revolution in England, large accumulation of capital for doing business had been rendered possible through joint-stock enterprise, but the liability of such an enterprise was still unlimited. It was natural, therefore, to expect that those who undertook the risk implicit in such a venture should have full control of its affairs and annex all the profits arising therefrom. Thus money was all-powerful and the human element was subordinate to it. Thus Holyoke's definition simply echoes the miseries of people ground down by poverty and want and emphasises the fact that the only escape from distress entailed on account of misery and want was an organisation that would secure to them freedom of choice in their occupation and emancipation from the capitalist and the middleman. Mr. C. R. Fay writing from a socio-economic stand-point, defines "Co-operation" as "an association for the purpose of joint trading among the weak and conducted always in an unselfish spirit on such terms that all who are prepared to assume the duties of membership may share its rewards in proportion to the degree in which they make use of their association?" Mr. Herick defines Co-operation as "the act of persons voluntarily united, of utilising reciprocally their own forces, resources or both, under their mutual management to their common profit or loss," "Co-operation" has also been defined by another writer as a union of persons established according to principles of equality, the number of whose members is not limited and the purpose of which is by the joint performance of economic acts to improve the financial position of its members or the conditions under which they carry on their profession, by means of either pure self-

help or of self-help with Government support; provided that all profits made by joint action shall be distributed in proportion to the extent to which each member has taken part in the business and not in proportion to the capital invested.

3. The various co-operative legislative enactments have in different countries laid emphasis on different aspects of co-operative effort. We look in vain for a clear-cut or a precise definition of 'Co-operation' in the Indian Co-operative Societies Act II of 1912 and in the Bombay Co-operative Societies Act VII of 1925. The Government of India wisely refrained in the legislative enactment on 'Co-operation' from laying down any hard and fast rule in regard to the attributes of a co-operative society. It has also been recognised as a sort of principle that any statute bearing on co-operation should be characterised by simplicity and elasticity, so as to make room for the adoption of suitable development of the co-operative movement in the future. The only approach to a definition contained in the preamble to the All India Act is to the effect that its object is to facilitate the formation of co-operative societies for the promotion of thrift and self-help among agriculturists, artisans and persons of limited means and Section 4 (e) refers to a society which has as its object the promotion of the economic interests of its members in accordance with co-operative principles. The word 'Co-operation' itself is nowhere explained in the Act except by means of a few scattered indications. Originally, the co-operative movement was started mainly to help the poor out of their distress and hardships, and that is why the words 'persons of limited means' are used in the preamble, the object being to keep capitalists and speculators out of the co-operative fold. But it was soon found that the various safe-guards provided in the Act, such as restrictions on shareholding and transfer of shares, restrictions on dividends, restrictive provisions in unlimited liability societies regarding the distribution of profits and the provisions regarding the statutory audit and control of the Registrar of Co-operative Societies were adequate. Further, it was soon realised that the benefits of the co-operative movement could not be restricted merely to persons of limited means as, with the

formation of new types of societies, it was but proper to bring within its fold all those who were willing to accept the duties and responsibilities of membership of a co-operative society in accordance with co-operative principles. Thus there were the consumers' societies which any person, rich or poor, could join as a member, as these societies accepted the principle of open membership. Similarly, housing societies could be formed with a view to catering to the needs of the well-to-do and the middle-class persons. Thus with the development of the co-operative movement, co-operative alliance had to be promoted either for protection against individualism or capitalism in fields of agriculture, trade, finance and industry, or for the provision of social amenities. Thus the words "persons with limited means" in the preamble to the All India Co-operative Act came to be replaced by the words "persons with common economic needs" in the preamble to the Bombay Co-operative Societies Act VII, which reads as under:—

"Whereas it is expedient further to facilitate the formation and working of co-operative societies for the promotion of thrift, self-help and mutual aid among agriculturists and other persons with common economic needs, so as to bring about better living, better business and better methods of production, etc."

4. From the foregoing discussion, it is apparent that co-operation is a form of business organization suitable not only for poor people but all those who are prepared to practise it in accordance with co-operative principles, and a co-operative society, in the words of Calvert, may be described as a form of organisation wherein persons voluntarily associate together as human beings on a basis of equality for the promotion of economic interests of members. It may be noted, however, that this is not a complete definition of 'Co-operation.' The co-operative association must primarily consist of honest men who must be prepared to put in their honest efforts in the accomplishment of a definite common purpose. They must further be willing to sink their individual opinions and interest for the common good. Such a spirit can only evoke loyalty on the

part of members so essential to the success of the co-operative enterprise. The essence of co-operative work must be that each shall work for all and all for each in the attainment of their common good. Understood in this sense, co-operation has a greater social and moral element in it than mere economic. The organisation also must be conducted on business principles.

5. However accurately one may try to define what 'Co-operation' is, that definition, it must be remembered, cannot hold good in all cases for reasons already set forth. Even if such a definition were possible to be attempted, it may be noted that the real merit of co-operation will not lie so much in its theory as in its practice. Co-operation is not the product of mere theory but it is a harmonious combination of theory and practice. The correct practice of co-operation will greatly depend on the education of the mass of members in co-operation and the general education of co-operators.

CHAPTER III

FORMS OF ECONOMIC ORGANISATION

Economic life of the present civilised man is the result of a slow process of evolution. The agricultural stage was preceded by the hunting and the pastoral stages and it was characterised by the organisation of families settling down in definite localities for regular cultivation of land. These agricultural families held land in common and became eventually village communities of yore. The further development of economic life is marked by different stages of industrial evolution. The first stage is the family economy which prevailed in the beginning of the Middle Ages; the family unit raised its own food, made its own clothing and built its own house. It consumed what it produced; it was a self-sufficient unit consisting of slaves and serfs practising a simple division of labour among its members. This family system survived longer in the villages. The second stage is soon reached when the self-sufficiency of the family unit broke down and the family needed the help of artisans like carpenters, cobblers and others who were invited to reside in the villages. The artisans who used their own tools and raw materials had often a small patch of land to cultivate. At this stage the artisans changed their wares for food and there was a direct contact between the producers and the consumers and the market was small. An important feature of this stage of development was the association of the members of a particular trade or occupation into guilds or crafts for the purpose of regulating the quality of products and their price in addition to looking after the interests of its members; each guild maintained a monopoly of trade and occupation and had its own rules and regulations. These functional groups flourished in Europe in the Middle Ages; their counterparts in India were the caste-groups with similar functions. The guild system however broke down towards the close of the Middle Ages partly with extension of commerce and partly on account of the abuse of monopoly enjoyed by a guild in regard to admission of the workmen to its fold.

In the next stage of development known as the domestic system various intermediaries appear on the scene between the craftsmen working in their homes and the final purchaser or consumer. At this stage the craftman lost his independence as he was supplied with raw materials needed by him by the capitalistic middleman-employer or the master craftsman. He usually worked in his own house with his own tools; under the supervision of the middleman the division of labour prodeeded a step further. This was a type of economic organisation in England on the eve of the Industrial Revolution. This system still largely prevails in India though it is losing ground under the impact of the factory system. The last stage is reached by the emergence of what is known as the factory system under which the semi-independent worker becomes a mere labourer and production is carried on in anticipation of demand and the division of labour becomes complete; the capitalistic employer completely controls the industry conducted in his own factory with the help of hired labour; he regulates the processes of manufacture and finds markets for goods produced; the further stage of a factory system is seen in the formation of industrial combinations known as trusts and cartels. Competition replaces custom and barter economy is displaced by a money and credit economy. Markets get wider and wider in scope.

2. FORMS OF MODERN BUSINESS ENTERPRISE

(1) Sole trader or producer:

Economic or business enterprise originally began as the enterprise of individuals or what is known as one man's business. In this form the proprietor or the producer contributes his own land, labour or capital and may employ hired labour or borrow a part of the capital required. Instances of individual enterprise are, a cultivator owning land or artisans like weavers or potters or petty traders. The proprietor manages his own business, directs the work and takes the entire risk upon himself and takes in consequence all the profits arising from his business. The principal advantages of this form of business are personal devotion to the work and greater atten-

tion paid to the needs of consumers. Its scope is necessarily limited and it is usually successful if the market is local and competition from other forms of enterprise moderate. It cannot be considered as progressive.

2. **Partnership** :—The second form is the partnership. It is the relation which subsists between persons associating with a view to making profits. In this form two or more persons combine their resources and pool their talent and run the business. The active partners direct the business while the sleeping ones supply the capital or some of them may attend to internal management while others may pay attention to the external affairs of the partnership. This form has certain advantages over the individual proprietor and it suffers also from many drawbacks. The supply of capital and ability is often inadequate and the business suffers from the lack of continuity caused by the death or insolvency of a partner and more often from disharmony among partners. But the greater difficulty arises from unlimited liability which a partner has to assume for the debts of the firm.

3. **Joint Stock Company** :—The next form of organisation is the Joint Stock Company. It is a typical form of modern enterprise which is tending to supersede other forms. Its progress was greatly facilitated in England by the recognition of the principle of limited liability. The principle is availed of in undertakings of all sorts viz., trading, banking, manufacturing, mining, transport, engineering etc. This form of organisation offers several advantages. The liability of a joint stock company is limited and shares are usually of small value which are transferable; capital resources are larger and all the economies of large-scale production can be had; the management can be democratic, efficient and economical if its affairs are run on proper lines; being a corporation sole with a perpetual succession and a common seal it enjoys stability; a resourceful company offers continuous employment and proper conditions of work to its employees. As against these advantages mention may be made of the drawbacks of a corporation. The limited liability principle encourages sometimes speculation or

rash enterprises and the directors indulge in mal-practices or manipulate things to their own advantage; there is no personal contact between the Directors and Shareholders who remain generally indifferent. As a result, power gets concentrated into the hands of a small oligarchy; sometimes dangers of rise of combinations and political corruption are also present. Though the advantages of this form of enterprise, outweigh disadvantages a joint stock corporation is found to be on the whole a slow moving machine suffering from Red-Tapism.

4. **Trusts and Cartels** :—A further stage in the corporarate form of industry is represented by the cartels and trusts which are combinations in industry. Of the different varieties of combinations mention may be made of two viz., the horizontal and the vertical. The former is a combination of business units engaged either in production or sale of similar things. It is a merger of independent similar establishments under a single centralised management e.g. a combination between cement companies or sugar mills or cotton mills etc. The Associated Cement Marketing Company of India is an instance of the horizontal type of combination. A vertical combination on the other hand is a combination of dissimilar business units engaged at different stages in the production of an article under a single management. Sometimes the company may control the supply of raw materials and may also acquire control over a marketing organization; and thus it may control a business line from the bottom to the top i.e. from the raising of the raw materials to the marketing of finished products. This is known as integration of industry; sometimes horizontal and vertical combinations of industry may go together e.g. the American Tobacco Company has not only combined all the companies manufacturing tobacco but is also engaged in its retail distribution.

Cartels :—A cartel is a typical form of German combination of the horizontal type; it is a loose and partial combination while a trust is a complete combination; companies forming a trust merge themselves entirely into a new company and the joining units efface themselves completely and the combina-

tion so formed becomes a permanent one; the shareholders of the old company become the shareholders of the new one, elect the Board of Directors and control all the activities which originally belonged to separate concerns e.g. Associated Cement Company of India. In a cartel on the other hand the Companies maintain their independent existence and simply enter into an agreement for the fulfilment of certain common objects. They may agree to have a common marketing organisation for the whole area or may divide the market among themselves. The combining units maintain their separate shareholders and independent separate executives. The agreement entered into may not be continued when the period for which it is made expires. Thus a cartel is an imperfect combination unlike a trust; industrial combinations of Joint Stock Companies are more common in industrially advanced countries because they ensure production on a large-scale and economies of mass production; as productive units they attain a higher level of efficiency, because they command superior skill and ability to spend largely on research; as monopolies, they exact higher prices and effect economies in all their purchases. As against these advantages mention may be made of certain drawbacks which industrial combinations present and as such therefore they are not looked on with favour. Because such combinations work against the interests of small independent producers and against consumers also because they charge monopoly prices. Again they lead to unemployment among workmen on account of their policy of restricting output. Their greatest drawback is that in a democratic state they sometimes lead to political corruption as a result of their command of considerable financial resources and their interest in controlling legislation and generally the economic policy of the state.

5. **State Enterprise**:—Under the influence of socialistic ideas the modern state has abandoned its policy of Laissez-Faire (let alone) towards industry and its participation in industry and economic matters in general is steadily on the increase. With the assumption of social functions as well it is gradually becoming a welfare state. The general attitude

of the Co-operative Movement in England towards the State undertaking industrial activities is that it is not very clear in regard to some types and is also influenced by considerations of its entrenched position in regard to others. Industrial activities are by their nature divided into four groups. The first group comprises the main public services such as transport and communications, power supplies including coal mines, supply of oil and water. These industries should be left to be organised by the State and Municipalities because each of them is a monopoly of a kind which should be subject to public control. The second group comprises the large staple industries such as iron and steel, heavy engineering, ship-building and chemicals and those generally concerned with the production of capital goods. These, it is admitted, will be controlled by the State. They are of primary importance to other industries and not suited to direct consumer control. The third group includes the major industries where fashion and public taste play an important role—textiles, electric apparatus, small metalware and engineering. In regard to these industries the view held is in favour of State Regulation which would permit co-operative units engaged in these industries to supply the co-operative market in their own way. The fourth group covers all those industries making consumer goods in which co-operative, productive enterprises have been established—pottery, clothing, food-stuffs, drink, furniture, printing and similar trades. In regard to these, co-operators think that they should not be controlled by the State. In England and other Western Countries we have Municipal Corporations owning and managing street tramways, electric supply and water-works. In India we have State Railways and nationalization of road transport in Bombay. They are all big businesses run by the salaried employees and administered on the lines of Joint Stock Companies and all profits derived go to the Exchequer. The main advantages of this form of enterprise are that the State can command funds at low rates of interest and it can tap higher talent for running these businesses. But the main problem is how to ensure a proper type of official as a salaried employee in State Service does not generally evince the same initiative and spirit of adventure as the employee in

a private undertaking. It is, therefore, believed by some that State enterprises are not as successful as a co-operative or private enterprise.

6. **Co-operative Enterprise:**—In order to avoid the drawbacks implicit in the capitalistic type of organizations on the one hand such as waste, exploitation of workers, denial of participation in the management of affairs, and a share of profit to workers and of State Enterprises on the other, the co-operative type of organisation has come to the fore and is becoming more common and popular during recent years. Its expansion has been considerable throughout the world. It is claimed for this type of organisation that it avoids the drawbacks of both capitalism e.g. exclusive individualism and of socialism e.g. too great a suppression of the individual initiative and excessive interference of the State in the economic life of the citizen. It catches the good points of socialism and capitalism as it is a synthesis of both. It keeps alive the stimulus of self-interest but seeks to harmonize the same with group-interest. Under the co-operative method coordination replaces competition between societies and between workers. The members in a co-operative productive enterprise are its shareholders and as such control the business themselves and undertake its risks and annex the profits.. They lay down the broad general lines of policy at general meetings and choose their own executives to carry out their policy. Thus the control of business in a co-operative enterprise tends to be democratic and each shareholder can contribute his own mite to the success of the venture. The principle of co-operation has been very successfully applied of late in the fields of agriculture, trade, banking, credit, insurance and the like but it has not made spectacular progress in the production of wealth on a large scale which is mostly organised on capitalistic lines. The reasons for this are not far to seek. In the first place a co-operative production concern labours under several disadvantages. There is a lack of business ability on the part of workers themselves. The General Body of workers who control the concern are not the best possible masters of their own foremen and managers. Secondly the majority of the members being manual workers

are always reluctant to pay decent salaries to their managers and superintendents who work with their brains. Again there is little discipline amongst them and they find it difficult to obtain the capital that is requisite to make big business a success. As regards other aspects of co-operative enterprise more would be said in the course of the following pages.

7. **Prcfit Sharing Scheme**:—A profit-sharing scheme is a modification of the capitalistic type of enterprise intended to enlist the greatest interest of the worker into the business so as to ensure his efficiency, to avoid friction, and to attract a worker of more than average ability. Under this scheme a capitalist retains full control of the business in his own hands and agrees to pay his workmen a share in the profits of the business in addition to wages according to certain agreed proportions. Such schemes have not been however much of a success as employers in actual practice dislike the idea of sharing profits with their workmen, while workmen themselves feel that the share of profits allotted to them is a mere sop thrown to them. In order to remove this ill-feeling or discontent among workers they are admitted to a share of the control of the concern also and thus what is known as co-partnership results. Co-partnership is a system under which all those engaged in industry share in the profit, capital control and responsibility according to an agreement arrived at beforehand. If in such a case the workers secure complete control of capital and management co-operative production results. Thus co-partnership is welcomed by co-operators as a halfway house towards co-operative production. Social reformers in India have been pleading for a revision of the existing industrial set-up with a view to making both labour and capital as joint partners after removing the evil of absentee shareholding. The employee under the present joint stock factory system has no legal recognition as a shareholder. Hence it is urged that the removal by legislation of the present system of diarchy of employee and employer and the unjust wage system be brought about. It is further insisted that a new approach be adopted recognising both capital and labour as joint owners of industry.

Conclusion :—From the discussion of various forms of business or economic enterprise it will be noticed that a great variety has been evolved to suit conditions obtaining in different countries at different times. As a matter of fact all these types are simultaneously in operation even to-day though the joint stock type heads the rest. Even in the most advanced countries of the West the individual trader or partnership still persists. It is also common to find that State enterprises and co-operative concerns are expanding and ramifying into several spheres and co-exist side by side.

CHAPTER IV

PRINCIPLES OF CO-OPERATION

It is now more than a hundred years since the consumers' co-operative movement took its birth in England and a vast volume of literature has sprung up on the principles and practice of co-operation. Those working in the movement are expected to know the basic principles underlying the movement. The Rochdale Pioneers published a statement of their immediate purposes and their ultimate aims, but they did not publish a statement of principles underlying their action. The principles which they followed can, however, be deduced from their practical work. The co-operative movement has been in India nearly for the last fifty years and advocates of co-operation and co-operative workers must have by now a clear exposition of the principles of co-operation. The question is important at the present moment, as the co-operative movement in India stands on the threshold of great development and diversification. It is not out of place, therefore, to lay down what these principles of co-operation are.

2. Co-operation an—Association of Persons. not of Capital.—The co-operative movement traces its origin to poverty and the consequent desire to be relieved from its consequences. On account of the distress and hardship that poverty entailed, the common bond that held the members together in a co-operative society was economic distress or helplessness. The society consisted of poor farmers and other workers. As these were poor people unable to provide adequate capital, capital could not be the basis of their association. The emphasis was on the man and his ability to work honestly and not on the capital he contributed. It was the man who counted The first and the foremost principle of co-operation is, therefore, that people join a co-operative society as human beings and not as providers of capital. Thus an essential characteristic of a co-operative association is that it is a union of persons and not a union of capital. Like a modern joint-stock company, a co-operative society too is a business organization and

requires adequate capital, but ownership of capital which gives a predominant position to the possessor of it in a joint-stock concern enjoys no such privileged position in a co-operative concern, as capital is treated only as a means to an end, and not an end in itself. One man one vote is the distinguishing principle of co-operation from one share one vote, which is the guiding principle of capitalism. The rich man joining a co-operative society cannot dominate it because of his share-holding. Like other fellow-members he is but a individual entitled to a share in the management of the society according to his ability and talents. Thus human personality counts more in a co-operative association than capital. It is because of this emphasis on the person, one man one vote is the rule in a co-operative society. The practices of giving bonus on purchases in a co-operative store or of giving bonus on the wages earned by members in a labour contract society or of disbursing bonus on the value of produce sold through a marketing co-operative are special features of the co-operative organization inasmuch as they eliminate the motive for profit and ensure the loyalty of members to the co-operative society and foster a spirit of mutual service among them.

3. The Principle of Equality :—The second principle which follows from the first is that of equality on the basis of which persons meet together in a co-operative association. If persons meet to satisfy the common need, they do so on a footing of equality and there should be no distinction between them in the satisfaction of that need. The term equality does not here refer to equality in the possession of wealth or skill but it simply means equality of opportunity to all, as a co-operative organisation aims at reducing the inequalities of wealth by providing opportunities to all to rise to the highest position by the dint of their effort. This insistence on equality within the society is born of resentment against the inequalities in the possession of wealth implicit the capitalistic order of society. A co-operative association is born of a common need amongst members and it is this need that determines what status each member should have within the society. Whatever may be the status of a member outside the soceity, it is evident

that in joining a co-operative society people desire something which they are all lacking and if there be any difference that may be justified, it is only in the degree of intensity of the want of the common object. There can be no distinction based on the contribution of each member towards the capital of the society.

The Principle of Universality:—As mentioned above, the satisfaction of the common need brings together people in a co-operative union. Thus a co-operative society exists for the members only and must as such be confined to them because persons who associate together do so for their own advantage and not for that of others. To reconcile this exclusiveness with the principle of unselfishness, the principle of universality or open membership has been evolved. It is admitted that a co-operative must be open to all who want to join it if they are convinced of its advantages and are ready to assume the risks and responsibilities involved. The membership of a co-operative should neither be restricted nor limited, because the object of the association is the common good and its basis is the common need, and those who join it must exhibit no selfish spirit. The principle of universality is the most far-reaching principle applied by the Rochdale Pioneers to their work and Mr. T. Mercer—a well-known English co-operator calls it "the greatest mankind ever discovered" in the September and October issues of the Review of International Co-operation, 1931. He points out that the Rochdale Pioneers were probably the first body of co-operators to welcome all men and women on an equal basis into their society, irrespective of their race colour, sex or creed. No man or woman who wished to join their number in good faith was shut out. Mr. Mercer further states that "a co-operative movement built upon the principle of universality can never be less than universal in its scope, purpose or spirit." The non-observance of the principle of open membership was the main cause of the failures of Robert Owen and his followers in starting co-operatives in England. The fact that people join a co-operative society on a footing of equality for the fulfilment of a common object paves the way for the development of an unselfish spirit among those

that work together for the common good of all. By this means higher elements in human nature come into play for the purpose of economic benefits.

5. **The Principle of Equity or Distributive Justice** :– Another great principle of co-operation is that of equity or distributive justice. Equity implies justice and fairness. A co-operative society like any other business concern must make a profit if it is run properly. If it does not make a profit, it means that there is something wrong somewhere in the conduct of its affairs. If and when the profits are made, the main question arises how they should be distributed. Capital claims its share and equity demands that only a fair return should be paid to capital for its service and that capital should not hold a dominant position in the affairs of the co-operative. That is why the current rate of interest is paid on capital after the prescribed percentages are set apart for statutory reserve and other funds necessary for the building up of its financial strength. The dividend paid on capital rightly includes not only the ordinary rate of interest which capital should get looking to the conditions obtaining in the money market for the time being, but something more by way of insurance against risk, as the shareholder is the stake-holder in it. To prevent the payment of dividend at an unjustifiably high rate, co-operative legislations in some provinces in India prescribe the maximum limit and within the maximum limit so fixed the rate is further brought down in virtue of a rule under the Acts and the Registrar is empowered to see that payment is made at the lower rate. Labour and service are remunerated whether the society makes any profit or not. The question of distribution of surplus left therefore, assumes importance. Under capitalism it is given to the shareholders as an additional dividend, while under socialism it is voted in favour of labour. It is only in the co-operative form of organisation that the claims of a third party–the consumer or the client to a share of the surplus are recognized. Co-operation believes in distributive justice and awards the surplus to the consumer who by patronising the concern enables it to make profits and who has thus a legitimate claim to a share of it. Thus the dividend

on purchases is not so much a peculiarity of the Rochdale system, but it is a fundamental principle of distributive justice and is a distinguishing characteristic of all forms of co-operative association. For example, in a co-operative credit society or a bank the dividend goes to the borrower in the form of a rebate or bonus, in a marketing co-operative it goes to the producer selling his goods through it, in a producers' co-operative it goes to the workers as additional wages and in a housing society it goes to tenants in proportion to the rent paid by them.

6. In this context it is felt necessary to clear up some misunderstanding about the co-operative ideology in regard to the making of profits. It is often asserted that the co-operative society in undertaking its business is actuated by service motive rather than by profit motive. The dominant object of a co-operative society, it must be remembered, is the improvement of the economic condition of its members, and if this purpose is to be fulfilled, it must be able to earn profits as a result of its successful working like any other business concern. What distinguishes it from similar business or organisation is not so much in the making of profits as in the equitable distribution of profits so made. After all a co-operative society is a business concern and as such it must have adequate capital, efficient well-paid and properly trained staff, and it must display business efficiency so that profits may result. These profits must be justly and equitably distributed among all those who have helped in the making of them in proportion to their contribution. Thus the principle of equality or distributive justice finds expression in the payment of patronage dividend—which made the Rochdale Society successful and famous. The method of dividing the profits among all the members in proportion to their purchases gives each member a reward proportionate to his loyalty to the store. "In adopting the dividend on purchases as contrasted with the dividend on share capital, the 28 flannel weavers of Rochdale hit upon a device of extraordinary potency affecting alike the constitution and the economic and social results of the vast organisation that they were unwittingly founding." (Sydney and Beatrice Webb).

7. The Principle of Democracy:—Another unique principle is the principle of demcracy observed in the management of a co-operative society. The principle of one man one vote is the basis of democratic management of a co--operative body. All members, whether men or women, have equal rights in the co-operative organization. For the Rochdale Pioneers democracy meant not only a form of Government but also a declaration of the Rights of Man. By the method adopted the power to govern was given to each member as a human being, irrespective of the amount of shareholding each had. This principle is embodied in Section 18 of the Bombay Co-operative Societies Act VII of 1925, which reads:

"No member of any society shall have more than one vote in its affairs provided that in the case of an equality of votes the chairman shall have a casting vote."

The co-operative movement offers the best type of democracy. It is a training ground for the cultivation and development of those qualities of the head and the heart that are necessary in persons governing a democratic State. All the members stand on an equal footing in running their society and the final authority vests in the general body comprising all members.

8. The Principle of Unity:—The principle of unity finds expression in the organisation of the co-operative union and the Co-operative Wholesale Society of England and later on similar wholesales in other countries. The International Co-operative Alliance and the International Co-operative Whole-sale Society are outstanding examples of the unity of the movement on an international plane. In order to preserve the unity of the co-operative organisations the differences among members due to their religious beliefs or political opinions are required to be kept in the background within the scope of their work.

9. The Principle of Thrift:—A co-operative society is in its essence a thrift institution,—a body inculcating thrift among members. Co-operation does not seek to do away with capital

which is as much necessary in a co-operative society as in any other business concern. "Thrift must precede credit" is the watchword of a co-operative society. The All India Co-operative Societies Act II of 1912, makes thrift a part and parcel of co-operation. The idea of thrift—the basis of self-help—is kept in the forefront in organising and conducting co-operative societies, though in actual practice we see many societies in this country are but poor specimens of bodies inculcating thrift among their members. Hence new methods are being constantly adopted in various states to tap the deposits of members in a way suited to the conditions of Indian life. Thrift harnessed to co-operation can transform the economic status of a country and with co-operation thrift grows in full vigour. It is essential, therefore, that co-operative societies should encourage the practice of thrift consistently among its members.

10. The Principle of Neutrality in Political or Religious Matters:—The attitude of the co-operative movement in most countries has rightly been to keep its followers away from politics or religion to prevent disunion in their own ranks and to maintain harmony and continuity in their work. Co-operators are united in regard to the economic aims of their own society and its affairs and have enough to do in keeping together, in the practice of the simple principles of co-operation. In other fields they are of many minds and as soon as the affairs of a co-operative society are complicated by adding a political or religious question, causes of disunion in the ranks of its members are certainly introduced. It is a principle well understood that if a co-operative society is to make headway and to furnish a common platform and a programme of work in regard to which all members can come together, irrespective of their religious beliefs or political opinions, it must attend to its own business and take no sides in other fields in which members can be divided. That is to say, its doors must be open to all and it must remain aloof from politics or religion. It is a fact that the co-operative movement in most countries has worked out its destiny free from the political state. Individual co-operators may belong to different political parties, or religious groups and they may align also with other political parties,

religious congregations friendly to co-operation. As a fundamental principle, co-operatives themselves are advised to remain aloof from politics or religion for very good reasons. In the first place, co-operation works in the economic and social fields. If it joins a political party in violation of the principle of neutrality and if that party gets victory at the polls, it might try to control the industries in which the co-operative societies are entrenched, and thus a conflict might arise. Secondly, political parties and the State have their own reverses. If the co-operative movement aligns with the State, it is likely that State would take the co-operative movement under its protection to its great detriment. Past experience has shown that in those countries where the co-operative movement was closely connected with politics, disastrous consequences have followed. According to Dr. Warbasse, the co-operative movement in Italy, for instance, came under the influence of the Socialist Party after the World War I. Government made large loans to societies and favoured them in many other ways. The societies became the favourites of Government and co-operators became politicians and politicians became co-operators. Thus for a time there was a great development of the co-operative movement. Then the Fascists came to power. Government support was withdrawn and the loans made by the former Government were recalled and the societies failed in large numbers. The Fascist Government did not, however, stop there only but destroyed almost everything that remained. Co-operative buildings were burnt and co-operative leaders were assailed and killed, and the National Co-operative League was declared illegal and disbanded in 1925 and its property was confiscated. Thus co-operators in Italy paid a very heavy price for taking their movement into politics. In Belgium, the larger Union requires that members of co-operative societies should be both Socialists and Trade Unionists. Thus a neutral movement called neutral or Christian movement has grown up side by side to compete with the class movement. The British Co-operative Party organised at the close of the World War I has taken the British co-operative movement into politics. As a result, disagreements in the British co-operative movement are in evidence, though the party has not developed great

strength. The consensus of opinion among co-operative leaders in most countries is that in all matters outside the co-operative movement the attitude of co-operators should be strictly neutral, thus justifying the far-sighted policy adopted by the Rochdale Pioneers.

11. The need for adherence to neutrality in religion and politics has been frequently stressed at the Congresses of International Co-operative Alliance. Similarly, under the wise leadership of the veteran Irish co-operator, Sir Horace Plunket, the co-operative societies in Ireland have been reiterating at all their meetings their policy of a faithful observance of a non-political and non-sectarian pledge which is incorporated in the constitution of all societies. The success of the Irish co-operative movement itself is attributed in a great measure to this neutral attitude.

12. In order to protect the co-operative movement in the Bombay State from the hazards of politics or religion, a rule under the Bombay Co-operative Societies Act had been originally framed prohibiting any society from taking any action involving that society in the discussion or propagation of controversial opinion of a political or religious character and the Registrar was empowered to prevent any action or rescind any resolution which, in his opinion, was of such tendency. The world 'political' appearing in that rule was dropped later, and the societies are now prohibited from taking part in controversial matters of a religious character only. (Vide Rule 46 of the Rules under the Bombay Co-operative Societies Act).

13. **The Principle of Honorary Service:**—The absence of weightage given to capital in a co-operative society has led sometimes to underestimating its importance for its successful working. Co-operative legislations in India prescribe a limit to the amount of individual shareholding with a view to keeping out the capitalist who is a ordinarily a profit-seeker or a dividend-hunter: the result has been that co-operative societies, particularly in rural areas, have become assciations of small men with small capital and having consequently small expe-

rience and ability with a small low-paid staff—all characteristics of a Raiffeisen type of society with unlimited liability. Adequate capital is certainly wanted and a rich member should be welcome not only with his capital but also with his ability and talent. Since the principle of one man one vote is the rule, irrespective of shareholding, it takes away the power of the rich member to dominate the society. As a consequence of the limitation on shareholding in a co-operative society, undue importance is often attached to the enforcement of the principle of honorary service in the day-to-day management of the affairs of a society. It is obvious that a small society cannot afford to engage trained, qualified, well-paid and efficient staff and hence it tries to rely more and more on honorary service. The sphere of honorary work thus tends to be little distinguished from the sphere of paid work. Honorary workers are of course necessary for giving guidance and directions in a co-operative society and it is admitted on all hands that honorary service has been one of the greatest assets in the cause of the co-operative movement in India. Many a village Hampden has laboured hard in the co-operative field without expectation of any remuneration so as to be of service to his fellow-beings. To rely on honorary workers except in cases of emergency for day-to-day is bound to spell inefficiency with the consequent reproach on honorary service. With the development and expansion of the co-operative movement in many directions, the duties to be performed and a variety of services to be rendered have all grown, demanding much more time and attention which honorary workers cannot afford to give. If the co-operative movement is to fulfil this great mission—regeneration of the social and economic condition of the people by gradual stages at less cost—, it must maintain its orderly progress and efficient service. While those who guide and direct the movement may render honorary service, those who carry on the day-to-day administration of a co-operative society must be paid adequately after getting them trained properly for their work. In the West, the principle of payment for service rendered has long been recognised and the informed co-operative opinion is that such success as has been achieved in various fields is due to payment for work done. Howsoever

one may be imbued with ideals of service it is obvious that he should be in a position to render service free from want. In the initial stages of the growth of the movement, honorary service was freely forthcoming without any feeling of want, but the increasing responsibilities which the development and ramification of the movement have imposed necessarily demand whole-time attention and wholehearted devotion to work, and it is not possible to expect such service from all workers unless adequate payment for services rendered is provided for. After all, co-operation is not charity and co-operatives must possess all the attributes of a business concern, if they are to succeed and survive in this age of competition.

14. **The Principle of Liberty or Voluntaryism:**—Another principle which is in line with the principle of neutrality is the principle of liberty or voluntaryism. The Rochdale pioneers allowed their members as much personal and individual liberty as possible; no one was compelled to join the association and after joining it, a member was at all times free either to continue or to withdraw from the association. He was also at liberty to hold any religious or political opinion and generally to do all those things which did not adversely affect or injure the interests of the society as a whole. Patronage was also voluntary. The member was under no obligation to purchase from the retail society nor was the retail society itself under any compulsion to make purchases from the wholesale society. This is as it should be, because co-operation is not a compulsory organisation and the essence of co-operation is that it shall work for all and all for each in the satisfaction of the common need. Everyone joining a co-operative society for the fulfilment of the common object and in doing his part of the work must be assured that all others who join are similarly doing theirs. The degree of success attending a co-operative concern must ultimately depend on the extent of loyalty with which each one works for the attainment of the common end. If this is so, it follows that members must be free to choose their own fellow-beings and must have discretion left with them to correct their choice, or even to withdraw ultimately. Thus the admission to membership of a co-operative must be by a pro-

cess of selection and made to rest on popular election. Expulsion of a member also must be provided for in the bye-laws of a society. (This is usually done), if he proved undesirable in the opinion of the majority joining the society. The right to withdraw from membership also must be guaranteed if any one finds that he could no longer work loyally with others. Without these it is obvious that the motto "Each for all and all for each" cannot be realised in practice.

15. There are co-operators who hold that this principle of liberty or voluntaryism is a cause of weakness and acts as a drag on the growth and progress of the co-operative movement. If its pace is to be accelerated with a view to extending its benefits to the maximum number possible, they believe that the element of compulsion would be desirable, e.g., in the the case of a co-operative store it is suggested that individual members should be compelled to purchase all their requirements from their own retail store and the retail societies in their turn should be compelled to purchase their supplies from the co-operative wholesales. Thus co-operative opinion is divided in regard to the working of the principle of voluntaryism in actual practice. One school of co-operative thought or rather the orthodox or the conservative school sticks to the principle of voluntaryism in its entirety, on the ground that a trend towards compulsion even in the slightest degree "holds threat not only to all beyond the strictly material ends of co-co-peration but even to democracy itself." While the progressive school believes that in certain kinds of co-operative activities where the larger interests of the community as a whole are involved, there should be compromise with the principle of voluntaryism barely to the extent that is necessary without abandoning the principle of liberty in regard to the formation of a co-operative society or admission to its membership. The orthodox school believes that co-operation and compulsion do not mix successfully and that coercion even in the slightest degree is foreign to the conception of co-operation. The latest exponent of this school of thought is Dr. Miss E. M. Hugh, who in her latest book entitled "The Co-operative Movement in India" severely criticises the trend towards compulsion and

asks: "Which is more important in the long run, that the co-operative structure should serve as the only credit agency subsidized by the state, or that co-operators should remain true to their principles, accept the impossibility of developing on sound co-operative lines with sufficient rapidity to meet the need of all creditworthy individuals, and leave it to a supplementary agency to try to do what it cannot at the moment without departure from its own *dharma*?

"Which is more valuable to the country, that immediate material benefits should be made available to as many of a group as possible, at the cost if need be of the ideals which are the heart and soul of the Co-operative Movement, or that the Movement expand no faster than is compatible with those ideals? In the former case we shall have a soulless mechanism, however efficient; in the latter, given proper fostering, we shall have a Movement that promotes the development of individual character and the progressive realization of national unity and human brotherhood."

Co-operation will have failed of its chief mission unless, as Shri. V. L. Mehta has declared, the co-operators bring into their combination for a common economic end 'a moral effort and a progressively developing realisation of moral obligation.' It is to say the least, inconsistent and futile, to push forward co-operative expansion regardless of principles because economic prosperity is recognised to be so necessary as a bulwark against Communism, while at the same time welcoming the Communist ideology into the fortress by introducing the principle of compulsion into co-operative effort."

"Coercion to ensure the carrying out of obligations freely assumed falls in a very different category from the imposition of obligations undertaken without adequate knowledge of the responsibilities and risks involved or where the failure to fulfil them is due to circumstances beyond the defaulter's control, even legitimate coercion may work undue hardships, but it does not strike at the roots of the co-operative ideal as does enforced participation in a nominally co-operative undertaking."

.... Compulsion in Co-operation is a contradiction in terms and a denial of the very genius of the Movement."

16. The progressive school of co-operative thought believes in the introduction of some element of compulsion on non-members if their reluctance or aloofness in joining a co-operative venture for the provision of some utility service seeking to serve the larger interests of the community as whole wrecks the plan itself, as it amounts to giving a power of veto to the recalcitrant few acting through ignorance or even ill will. The All India Co-operative Planning Committee itself belongs to this school and recommends that the voluntary principle should undergo modification if co-operation were to find a place in planned economy. The veteran co-operator Shri V. L. Mehta, presiding over the Indian Agricultural Economic Conference in January 1948, expressed his opinion to the effect that if the task envisaged for the Agricultural Credit Corporation recommended by the Gadgil Sub-Committee were to be quickly and satisfactorily accomplished, a compromise with the principle of voluntary action and autonomy was inevitable.

17. This principle of voluntaryism has also been discussed in the past at the Thirteenth and the Fourteenth Conferences of Registrars in the years 1939 and 1944 and the resolutions passed at the first Conference conceded that where the provision of some utility service was involved, if at least two-thirds of those concerned considered it desirable, compulsion may be applied. The resolution passed at the latter Conference runs as under:—

"Where the extension of a plan requires action by all the members of an economic category or group, it should be made compulsory for all either to join a co-operative society for the purpose or otherwise to carry out the plan."

18. The insistence on the principle of voluntaryism was found by Mr. Calvert to conflict with certain practical examples quoted by him. For instance, in one part of Burma it was a rule that anyone who desired to join a co-operative credit

society was compelled to join a cattle insurance society in the same village. This insurance made the loan more certain of recovery and if a man borrowed a loan for purchasing cattle, his fellow-members reasonably insisted on his taking an obvious precaution against abrupt loss. In such a case, it is prudence rather than compulsion. Similarly, compulsory thrift is admitted to be beneficial and compulsory co-operation is considered by many to be compulsory adult education in business methods. There is, therefore, need for fostering compulsory co-operation in backward countries as there is for compulsory education. In South Africa it was provided by law some time back that if 75% of the producers of any kind of agricultural produce who also produced 75% of such products in a given district, area or province, and who were members of a recognised co-operative society agreed to the collective sale of the said products, each grower of such products in such area was legally bound to sell it only through the said collective selling agency quite irrespective of the fact whether or not he belonged to the said co-operative society. In the Bombay State Section 64-G of the Bombay Co-operative Societies Act provides that if a farming scheme proposed by a society were found to be feasible by the Board and if not less than 66 per cent. of the owners in possession of not less than 75 per cent. in the aggregate of the land proposed to be included in the scheme have given their consent to the making of the scheme, such society can be registered under the Bombay Co-operative Societies Act.

19. These schemes are practical examples not so much of the disregard of the co-operative principle of voluntaryism but of appreciation of the importance of poor people co-operating. The end, as mentioned by Mr. Calvert, becomes so desirable that the means become less important. The schemes referred to above partake of the nature of socialistic experiments rather than voluntary co-operative enterprises. But it should be remembered that though co-operation is individualistic rather than socialistic, it subordinates the interests of the individuals to the group or the community interests and harmoniously blends the two without suppressing the individual. The volun-

tary principle regarding formation of a society and admission to its membership still remains, but in certain kinds of co-operative activities a compromise with the voluntary principle becomes inevitable in the larger interests of the community as a whole. Why should a recalcitrant few acting through ignorance or illiteracy or even ill-will be permitted in the exercise of their individual liberty to hold back and block the path of progress of beneficent activities undertaken by the many? Again, if those who are dissentients are brought compulsorily into the co-operative fold and are admitted to nominal membership, a device resorted to in the Bombay State to make the debt relief legislation a success much of the criticism levelled against the introduction of compulsion in co-operation, would lose its force.

20. **The Principle of Publicity**:—Another principle governing the activities of a co-operative is publicity (doing everything in public). The Committee on Co-operation in India, while enumerating the conditions necessary to make a credit society co-operative, insisted that all business should be transacted with the maximum of publicity within the society. It is obvious that if all members are equal in liability, all have an equal right to get acquainted with the society's transactions except those relating to deposits. Sir Fredrick Nicholson wrote: "Publicity is in every European country the first requirement and everything must be laid open to the public view." If the society is well-managed and members are honest and punctual in repayment of their loans, then publicity increases the credit of the society. The Committee on Co-operation prescribed that there should be kept in some place open to the inspection of every member a list showing the loans issued to every member, the names of his sureties and the amount of the loan still unpaid, and that each member should be required to know how his account stands. General meetings should be frequently held, the Committee further added, at which the accounts and the affairs of the society are fully discussed and explained. It may be noted that it would be difficult for a co-operative which departs from the principle of publicity to retain confidence of its members and make a claim to honesty.

21. The principles discussed above are those that were evolved by the Rochdale Pioneers and the question as to how and to what extent the Rochdale principles could best be adapted to the practical work of co-operatives has been discussed at the successive Congresses of the International Co-operative Alliance held in the years 1934-37, and the present classification of the Rochdale principles consists of the following:—

(A) *Primary Principles* :

(1) Open membership,
(2) Democratic control,
(3) Patronage dividends,
(4) Limited interest on capital.

(B) *Secondary Principles* :

(5) Political and religious neutrality.
(6) Cash trade,
(7) Promotion of education.

An eighth principle, viz., that of cautious co-operative expansion was added at the ninth biennial Congress of the Co-operative League of the U.S.A. held in October 1934. This principle is already covered by the principle of universality, as without continuous growth the co-operative movement cannot hope to become universal in its scope. Recently, the International Co-operative Alliance has defined the co-operative principles and its Executive Committee has called for the strict observance by all affiliated organisations of the following co-operative principles:

(1) Co-operative organizations must be open to everybody who desires and is able to employ their services without any discrimination on political religious or racial grounds.

(2) The organizations of co-operatives must be democratic at all levels, that is to say, they must have the right to elect their committees or other governing bodies without any intervention or pressure from outside, and all members of co-operatives must have the same rights and be able to form and express their opinions freely.

(3) Co-operative organizations must be completely free and independent and must be able to take up a position with regard to all the problems which affect their own interests independent of the State and public authorities generally as well as of private organizations (political parties). The Executive Committee further added: "It is only in this way that the co-operative movement can be in a position to fight against oppression in all its forms and for the liberation of all social groups and thus contribute to ensuring peace. In this way only will a real co-operative system based upon mutual self-help materialise."

CHAPTER V

PLACE OF THRIFT IN CO-OPERATION

1. What is Thrift? Conditions necessary for the practice of Thrift:—Thrift in its ordinary sense is economy or frugality or economic management of one's resources. It is the habit of laying by something out of one's present earnings in order to be able to use the same at some future time, so that greater advantage may be derived from the use of such savings in the future than at present. Thrift pre-supposes foresight which is found in ample measure in insects like the bee and the ant which store up food in summer for consumption in winter. The practice of thrift depends not only on abstinence or self-control or discrimination but also on security of life and property. In times of turmoil or disturbances and when the rule of law and order is not firmly established, the risk of monies saved or grain put by being removed by robbers or unscrupulous rulers or tax-collectors surely discourages the exercise of thrift or savings. Thrifty men of the past ages hid their savings underground for want of proper security and put all their savings in investments in land or other immovable property or gold and silver which was also hidden underground. Thrift becomes a fairly modern idea with a firm establishment of the rule of law and the certainty of being permitted to enjoy the fruits of one's own surplus labour—savings. In quite recent times also the action of Government has also been responsible for discouraging the exercise of thrift either by excessive taxation on earnings, leaving little or nothing for the thrifty to enjoy and sometimes by the devaluation of currency as happened in Germany after the World War I. Before the War, most Raiffeisen co-operatives in Germany were functioning as thrift institutions and they were simply ruined, as the money they had accumulated became worthless. Thus opposition to thrift has risen on its side, yet the practice of thrift is essential if people are to get out of poverty. A country can become rich only if its people are accustomed to practice thrift continuously for years and put their savings in productive enterprises.

The greatest obstacle to thrift is waste, which takes many forms, and ordinarily no steps are taken consciously to stop such waste. For example, we spend sometimes more than we can afford to on show and pomp on occasions like marriage and ceremonial, though ordinarily we practice thrift. Thus the lesson of thrift is not fully learnt if after having collected savings by small instalments until the amounts so saved become an appreciable sum, the whole sum is spent. Mr. C. F. Strickland quotes instances of Chinese co-operatives where the members withdrew the whole of their savings and used them in a wild speculation in the hope of making a fortune. Only too often they lost everything and had to begin saving again. Similarly, buying on credit is another form of waste which the generality of people do little or nothing to stop. Credit sales lock up the capital of the shopkeeper and prices charged for goods sold on credit are necessarily higher than those sold for cash. Credit purchases often tempt us to go beyond our means and serve as an inducement to divert our cash resources in avoidable channels of expenditure. When bills for credit purchases mount up which cannot be cleared out of our income, resort is had to borrowing to clear off such bills. Such unproductive debt is a form of waste which one should be careful to avoid. Once we are in a state of indebtedness, we force ourselves perpetually into a state of dependence on others for help.

2. **Social Aspect of Thrift and Facilities for Saving:**—The object of saving in the case of an individual is not the wise and provident use of what is saved for one's self and the members of family but also for the members of the public. No individual in modern society can live for himself alone, and thrift left to individual effort alone cannot thrive in full vigour. To be effective it requires to be supplemented by joint efforts. There is no need in the present age for burying monies underground or keeping the investments in the form of gold and silver or making investments in immovable property, as our forefathers did, as remunerative outlets are now provided for the safe investment of such savings such as a Postal Savings Bank, Joint-stock Bank, an Insurance Company or a Thrift

Club, Co-operative Credit Societies and Banks, gilt-edged securities and stock exchange securities. The social utility of savings chiefly consists in forming a fund of capital for new enterprises. Saving possesses, therefore, the same utility for the community as for the individual, viz., that of providing for the satisfaction of future wants. Saving is as much essential for the economic progress of a country as for an individual. No country can make much headway unless all the citizens who are able to save do contribute their mite as thrifty citizens. England has become a rich country because the people have been practising thrift for the last three hundred years and the moneys so saved are invested in productive enterprises. Millions of pounds have no doubt been lost during recent years but the people have not been discouraged and the systematic encouragement of thrift among poor people continues even to-day, with unabated vigour. In all civilized countries institutions have grown up for promoting savings of people.

3. **Savings Banks**:—The more familiar institutions are the Savings Banks which once were private institutions, but to-day it is the Government in most countries that runs these institutions in all the Post Offices. The best way to aid the accumulation of small savings is to put such savings out of the power of the owner for the time being at least to yield to the desire or temptation of spending the same. The home safe or the hundi box is simply an application of this idea. When small savings in the form of coins are dropped into the box, they cannot be withdrawn without breaking the box, and this obstacle gives time for reflection and to resist the temptation. The savings bank is a kind of money box with this difference that a few formalities are necessary to be gone through and a little more time and trouble have to be taken before the money deposited could be got back. It is, therefore, something more than a money box, because the money in this box bears fruit. In order to encourage savings, the banks give the depositors interest at moderate rates. Postal Savings banks are not popular with all classes of people because of rigidity in regard to the operation of accounts. Besides, money deposits cannot be withdrawn readily by means of cheques.

4. Insurance Companies :—Insurance is a wonderful invention of the present age and furnishes a remarkable instance of the solidarity of mankind. There are types of insurance like fire, accident, marine etc. Life insurance is based on the law of averages and in its essence it is a method by which the risk on the life of a person is shared by a group of persons which includes the former. Nothing is more uncertain in life than the moment of death. Life insurance is, therefore, the only sure method of changing the attendant insecurity into security, uncertainty into certainty and speculation of saving into proper investment. Under the scheme of life insurance, the assured goes on contributing small amounts periodically, so that at the close of a specified period or at death, if earlier, he stands to get a substantial sum. The compulsory nature of saving through a life policy proves more beneficial ultimately than saving in the ordinary course in case of premature death. The habit of thrift is compulsorily acquired because once the life is insured, the assured is certainly reminded of the amount he is required to lay by periodically to keep the policy alive. Life insurance has its uses not only for the individual and the family but also in the case of business undertakings with a view to investing them with stability and continuity. Life insurance funds can be very well utilised for the economic development of a country.

5. Other Outlets:—There are other outlets for the investment of savings such as loans of Government and Public Bodies generally known as 'Trustee and Semi-Trustee Securities'. There are also stock-exchange securities but most of them are not suitable from the point of view of the small investor. The needs of the small man in this respect are best served by co-operative credit societies in villages and banks in towns and other types of societies such as thrift societies, purchase and sale societies, co-operative insurance societies and the like.

6. Co-operative Organizations as Repositories of Savings:—Co-operative organisations serve a double purpose. In the first place, they assist in the prevention of waste on the part of members and secondly, they afford facilities for the

investment of small savings of the poor at their very doors. The procedure of deposits and withdrawals is far less complicated in a co-operative society, since the problems of indentification and verification of the signatures of depositors are non-existent. The officers to be approached belong to the same village as the members themselves and work in the same occupation or trade. Further, the fact that money collected by means of savings of members is generally to be spent in the village itself in the shape of loans to members, creates an additional sense of security and confidence needed to encourage such savings.

7. In his report regarding the possibility of introducing land and agricultural banks in the Madras Presidency, Sir Fredrick Nicholson laid great stress on encouraging thrift among the members of a village co-operative society. He observed: "Credit to be safe and sanative, must be preceded by thrift not only in the sense that the capital to be lent must first be saved but that it is the man who saves that ought to get and can use credit. One great cause of individual unthrift is the absence of facilities for thrift, of places for the due and productive custody of savings. If these are provided at each man's door, saving will take the place of expenditure, productive deposit that of idle hoarding. Hence the village savings bank is the primary desideratum of Indian rural banking and every effort must be made to place facilities for saving in every village." The promotion by every possible means of facilities for rural thrift and savings is the central point of this recommendation.

8. **Thrift in Co-operative Societies in India**:—India is a land of villages and the question of thrift is at the very foundation of the poverty of the rural masses. There can be no panacea for the troubles from which the agricultural population in India suffers unless thrift is exercised by the masses on a large scale. The capital for agricultural needs and improvements must be in the main fed from the savings of the rural communities themselves. The law of co-operation in India makes thrift an integral part of a co-operative society.

The preamble to the Co-operative Societies Act II of 1912 lays down: "Whereas it is expedient to facilitate the formation of co-operative societies for the promotion of thrift and self-help," ....The societies in the villages were intended to furnish agriculturists with a safe method of investing their small savings and such savings have proved elsewhere as good lying money. The Committee on Co-operation in India thought that once the societies were started well, they would be taken advantage of by the agriculturists as outlets for their savings more freely than any Government institution could ever hope to be so used resulting in a considerable economic advantage to the country. By far the largest number of co-operative societies in the Indian Union are the primary agricultural credit societies operating in the agricultural field. There were, at the close of the year 1950-51, 1,15,462 primary agricultural credit societies* (excluding Land Mortgage Banks) in the

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There were 1,59,939 agricultural credit societies at the end of June 1956 having a membership of 77,90,850. Of the total number of agricultural credit societies, 93,793 societies were with unlimited liability. The working capital of all the agricultural credit societies in the Indian Union rose to 79.10 crores as on 30th June 1956. These societies depended very heavily on Central Financing Agencies outstandings of borrowings from which were Rs. 41.78 crores representing 52.8 per cent of the working capital. Owned funds stood at Rs. 29.25 crores forming 37 per cent of the working capital. Deposits rose to Rs. 7.05 crores constituting only 8.9 per cent of the working capital. The following statistics show the all-India average for membership, share capital deposits, working capital and loans in respect of agricultural credit societies at the close of 1950-51 and 1955-56.

	1955-56	1950-51
1. Average membership	49	45
2. Average share capital per society	Rs. 1,051	Rs. 727
3. Average share capital per member	Rs. 22	Rs. 16
4. Average deposits per society	Rs. 441	Rs. 388
5. Average deposits per member	Rs. 9	Rs. 9
6. Average working capital per society	Rs. 4,946	Rs. 3,547
7. Average loan advanced per member	Rs. 64	Rs. 56
8. Average loan advanced per society	Rs. 935	Rs. 552

It will be observed from the above statistics that the overall position of primary agricultural credit societies has not appreciably altered during the 5 year period. The depressingly low amount of deposit per *member* shows that the societies have failed to function as thrift institutions.

Indian Union, with a paid-up share capital of Rs. 8.39 crores and members' deposits aggregating to Rs. 2.62 crores. Their aggregate working capital amounted to Rs. 40.95 crores and their owned funds stood at Rs. 17.24 crores. The share capital accounted for only 20.7 per cent. of the total working capital while members' deposits formed only 6.5 per cent. Referring to the operations of the agricultural credit societies which constitute the foundation of the co-operative movement in India, the prefatory note to the statistical statements relating to the co-operative movement in India for 1950-51 issued by the Reserve Bank of India observes:— "Owned funds amounted to Rs. 17.26 crores or 42% of the working capital while deposits amounted to Rs. 4.48 crores. There has been throughout the post war years a continuous fall in the ratio of deposits to the working capital from 14.4% in 1946-47 to 10% in 1950-51. This shows that while the short-term credit structure has been taking upon itself a larger role in the provision of agricultural credit, it has not been able to attract a proportionately large amount of deposits. The societies resort to heavy borrowings from the Central Financing Agencies. This has incidentally tended to make credit expensive, owing to the high rates at which financing agencies make funds available compared to the rates payable on deposits. It need, therefore, hardly be stressed that the movement should inculcate habits of thrift in the members and make determined efforts to mobilise rural savings. Especially in view of the evergrowing responsibilities of these societies, which are by far the most important institutional credit agencies in the agricultural sector of the economy, it is necessary that intensive and continuous efforts should be made to mop up savings and attract deposits so as to make the movement self-reliant and correct its lop-sided financial development.

An analysis of the statistics shows that while the average membership stands at 45, the average share capital and deposits per society and per member appear rather low as shown below:

*Average membership	45
Average share capital per society	Rs. 727 (approx.)
Average share capital per member	„ 16 („)
Average deposits per society	„ 388 („)
Average deposits per member	„ 9 („)

Since its very inception the Co-operative Movement has kept as one of its main objectives the provision of finance on reasonable terms to the agriculturists which they can afford to pay. Only a limited success can be said to have attended the efforts. The rates of interest paid by agriculturists on loans taken from co-operative societies continue to be high, in some cases as high as 12½% or even 15% almost bordering on the maximum rates which private money-lenders have been permitted to charge under some of the Money-lenders' Acts. Some of the main reasons for this prevalence of high rates are, inadequate expansion of the co-operative movement on sound lines, and failure of the co-operative societies to raise adequate local deposits etc. As regards non-agricultural credit societies the report states: "It will be noted that there were 7810 societies with 21.8 lakhs members and Rs. 56.78 crores of working capital. Of the working capital the amount of deposits was Rs. 35.03 crores which worked out to 61.8%. Owned funds were Rs. 17.53 crores which formed 30.8% of the total working capital. Of the deposits as much as Rs. 19 crores belonged to members." These observations go to the 'very root of the poverty of the Indian masses; that there has been no striking development in regard to the savings by the members of the agricultural credit societies in India is admitted and has sought to be explained so far by the fact that Agriculture in India is a deficit economy and that the standard of living of the masses is so low that there is no room left for the exercise of thrift on a large scale. 70% of the population depend on agriculture with no subsidiary occupation and live on bare subsistence level with no margin for provision against failure of crops or mortality of cattle and other similar contingencies. This leaves the question whether the poor can save at all and

* (See footnote on page no. 47).

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there is a common belief that it is the rich only that can save. But past experience of social reformers in many countries has shown that the poor can be pursuaded to save more easily than the rich. The very origin of the system of savings banks amongst the poor in Ruthwell in England confirms the truth of the remark. It may be noted however that the poor do not save of their own accord, and various methods of collecting savings suited to the conditions of life of the people require to be adopted and ceaseless propaganda conducted amongst them extolling the virtues of thrift. What form the practice of thrift should take amongst small agriculturists and people of small means should be left to be determined by the workers themselves in the Co-operative field. In some provinces collection in kind was preferred in the past to making collections. Above all the members of co-operative credit societies require to be impressed as to the supreme necessity of preventing waste in any form and unless the members are eager to prevent waste which takes place not only in the course of their occupation but also in other affairs generally the virtue of thrift is difficult to be imbibed.

Savings may assume the form of shares and deposits in a co-operative credit society. As regards shares it may be noted that a co-operative association is not a union of capital but of human beings. The members are drawn from poor villagers who have usually no cash to spare so as to lock up in the form of shares which cannot be withdrawn as and when needed. So share capital cannot form a large part of the funds of societies. That is why in the original Raiffeisen type of societies there were no shares. Nevertheless shares have been found in actual practice valuable for several reasons. In the first place they provide the members with a tangible stake in their society and serve as a guarantee fund against loss until a sufficient amount of reserve is built up to replace them. Shares also represent an element of thrift and as members usually pay for their shares in small instalments the habit of laying by a little periodically may grow and become permanent. Shares also inspire confidence among outsiders who are prepared to keep deposits with the societies. In the early

days of a society's existence the value of shares lies chiefly in their service as a bad-debt fund. The next method of tapping savings is by raising deposits current, saving and fixed, from members. In most societies there are members who have not only no spare cash but are themselves in need of ready money for their means of livelihood. Such members cannot make deposits for any time. There will be some members who are not in need of loans and they can be encouraged to deposit what they can conveniently spare for such periods as may be found convenient to the societies and to themselves. Those of the members who have got spare cash even for a short period may be encouraged to regard the society as their savings Bank and put their spare cash in it for withdrawal as and when needed. There are three kinds of deposits, deposits for a year or more or for even six months and kept by members who have no use for their money in their business, deposits of a casual nature made by members who happen to possess more cash on hand than they have immediate use for and savings deposits made regularly by members out of their income at periodical intervals. Such savings would be useful as provision well in advance for marriages, sickness and other unavoidable expenditure.

In view of the fact that primary agricultural credit societies are the most important institutional credit agencies for mopping up rural savings intensive efforts have been made during recent years in States like Bombay and Madras for tapping such savings by initiating a savings drive and it is on record that such a drive has achieved fair results and in the Bombay State good lying money has been attracted in the form of share capital. These shares secure permanent funds for the co-operative movement; as already mentioned they have the drawback in that the economic progress of a country cannot be helped in respects other than co-operative and representing as the shares do the lock-up investment, the agriculturists are discouraged from investing the full amount of what they save in such investments. Thus if the primary agricultural credit societies are to function as real savings banks for the agriculturists they should be encouraged to accept deposits, current

savings and fixed with the provision of arrangements for meeting the withdrawals as and when needed. It is then only that these societies are likely to be utilised by the agriculturists as their pockets. In the Bombay State efforts were made in the past to encourage the societies to make provision in their by-laws for the acceptance of savings deposits and give effect to them subject to certain safeguards. Only selected A and B Class societies were permitted to open savings bank accounts in favour of members subject to certain limits. Very few of the primary thrift and credit societies implemented the provisions in their by-laws and in cases where the provisions were given effect to, the system could not work well because of lack of satisfactory arrangement for the maintenance of fluid resources for repayment of deposits. If the societies are to be enabled to meet the withdrawals of deposits on maturity it is necessary that they should receive help in the matter from an outside agency like the District Central Co-operative Bank not only in regard to the suitable investments of fluid resources but also in regard to the demands on societies made for the repayments of deposits on maturity. If the societies are to act as effective agencies in the mobilisation of savings in rural areas arrangements for the maintenance of fluid resources could be made in one of the following three ways: (1)It was suggested to the Central Banks in the Bombay State in the past to make the necessary fluid resources available to their affiliated primary agricultural credit societies introducing savings bank accounts and accepting current and fixed deposits accounts and levy a specified charge by mutual agreement. As the banks were themselves suffering from a plethora of funds when the suggestion was made it did not attract the attention it deserved. The position has now however changed and the suggestion requires careful examination and implementation particularly in view of the fact that the central financing agencies and the apex bank want to increase their financial resources. An assurance on the part of central financing agencies to provide the requisite fluid resources to the agricultural co-operative credit societies would attract considerable funds to these societies from the rural areas. (2) Another arrangement that could possibly be suggested is that the society accepting

deposits—current, savings and fixed—should maintain fluid resources according to the standard prescribed by the Reserve Bank of India but instead of investing the fluid resources required on their own initiative they should pass them on to the central financing agencies. The central financing agencies should constitute a pool of such funds received from the various affiliated primary agricultural credit societies and the funds so pooled should be utilised meeting the demands of the societies in respect of time and demand liabilities. The financing agencies should be entitled to levy a moderate charge for managing the investments of the pool of fluid resources and to credit the societies with the annual yield of interest on the pool. In case these fluid resources fall short of their requirements in any case an assurance should be forthcoming that the central financing agencies would provide the balance in the form of a loan or maximum credit or cash credit for the specific purpose of meeting the withdrawal of their deposits. Arrangements can also be made under which the apex co-operative bank may come to the aid of the central financing agencies in the matter of the creation of the pool of fluid resources for all agricultural credit-co-operatives in the State with the assistance from the Reserve Bank of India in the last resort if the need arose for such assistance on account of any unforeseen heavy demand from rural areas in the State, (3) A third alternative that can be suggested is that if the primary agricultural credit societies are not in a position to accept deposits—current, savings and fixed—on their own account for want of proper arrangements for availability of fluid resources, they can simply function as depots or branches of the central financing agencies and accept deposits for and on behalf of such agencies and meet them on maturity. A Central financing agency agreeing to this arrangement does not run any risk because the society with which this arrangement is made is selected with great care, regard being had to its satisfactory management and sound financial position. This arrangement could obviate the trouble to depositors involved in going to the headquarters of the central financing agency or its branch office for the purpose of depositing and withdrawing the monies. The amount of the deposits received by the society selected

for the purpose would not be substantial in the beginning and this would in itself put a limit on the risk which central financing agency incurs in treating the societies as its branch or depot. Unless satisfactory arrangements are evolved in any of the three methods indicated above it is difficult to expect the primary agricultural credit co-operatives to function effectively as instruments tapping rural savings. Absence of the availability of proper fluid resources is an important factor which explains the paucity of deposits in the primary agricultural credit co-operatives. There are other reasons too which have contributed to this state of affairs. It is a well known fact that the rural credit societies are in most cases not organised on the basis of a regular working office and there is no fixed place or building for their office. In fact the very existence of the societies is not known in some places except when a supervising or an inspecting authority turns up. There is a dearth of educated persons in villages for doing honorary work. The principle of unlimited liability and the threat of its enforcement have scared away the well-to-do from their membership but societies may no doubt now change over to limited liability and adopt some safeguards so as to attract a part of their savings of the well-to-do. Some of these people even at the present day buy lands at fancy prices but many of them lend monies at higher rates than the maximum legal rate at which money-lenders lend, despite restrictions placed on money-lending under some of the Money-lenders' Acts. Very little of the savings of such persons in villages reaches co-operative societies. Part of the savings is reported to be going in Bihar in the local industries of a semi-mechanised character which are more paying than the rate of interest offered by co-operative societies for time deposits. No doubt the rural credit societies can attract deposits from the well-to-do if they make serious attempts but their duty is greater in respect of the small agriculturists and labourers who may fritter away their savings for want of proper outlets.

There has been found of late a shift in the income groups that are in a position to save. Heavier taxation on incomes derived from industrial and commercial pursuits, the gradual

squeeze of the middle-classes, exemption of agricultural incomes from direct taxation coupled with a reasonably high price of agricultural produce have curtailed on the one hand the scope of savings in the case of industrialists, merchants and traders and professional middle classes while increasing on the other the scope for savings in the case of agriculturists and factory labourers. Though there is no unanimity of opinion in regard to the existence of any considerable volume of savings with the agriculturists there is a general feeling that more people in rural areas are in a position to save and many of them do save now more than ever before. Even more than the small cultivators, artisans of all classes and some of the agricultural labourers can lay by something. On account of the improvement in the level of their wages they have of course improved their standard of living but still there is a scarcity of goods and they cannot get all that they would like to have. Further they cannot also waste their money on drink which they used to do before the advent of prohibition. More irrigational facilities, plans for rural development visualised in the Five Year Plans, agrarian reforms and wages legislation would considerably improve the economic position of the small cultivators, tenants and labourers in rural areas and particularly in the erstwhile zamindari areas. Rural areas would therefore be called upon to make their contribution to the future economic development of this country through their own savings. A plan that has been found useful for collecting deposits from small savers in co-operative societies is to employ collecting agents to go to their working quarters or residences and collect as much as possible at the right time. This plan is adopted by the Alamuru Co-operative Bank, Ltd., East Godavari District in the Madras State, which has achieved notable success in the promotion of thrift among smaller cultivators and agricultural labourers by the sale of thrift labels ranging from 1 anna to 1 rupee as the following figures show:—

It is a very successful and interesting experiment showing how a co-operative by using proper method can tap substantial savings of the poorer sections of the community, if it is really earnest in its efforts. The Alamuru Rural Bank employs

Year	Fixed Deposits from members and Non-members	Sale of Thrift Labels.
	Rs.	Rs.
1937–38	10,240	115
1939–40	20,855	1,459
1941–42	35,042	5,224
1943–44	1,11,445	6,969
1945–46	1,84,485	5 936
1947–48	3,41,030	32,411
1948–49	3.74.890	40,044

N. B.—These figures are taken from the January-March Issue of the Indian Co-operative Review for 1950.

three agents with cycles to collect the savings by meeting the poorer members mostly Harijans, in their own quarters daily both morning and evening. These people earn about Rs. 1-8 to Rs. 2 per day for about a period of six to eight months. It has been possible to tap a part of this because of prohibition. The efficacy of this method of collecting savings is referred to by Mr. Henary Wolff, who wrote forty years ago, as under:—

"To be sure of gathering up all the spare money that there is and of training more especially the poor people to lodging it co-operative banks must send their emissaries out into the highways and hedges and 'compel them to come in.' They have in the first place to get hold of the money which might otherwise go unprofitably into stocking or else be wasted or travel out of the district; and in the second, to draw the unthrifty into their net and systematically train them to thrift. That is one of the especial objects for which they exist. Germany is in a way classical soil for collecting by collectors.... In county districts there is now a great deal of collecting done, in the same way, by collectors who scour the country, going from house to house... knowing at what times there is likely to be money present and ready to snatch it up before the tempter has suggested another use."

In this context it is pertinent to refer to the observations made by the I.L.O. on the results achieved in various countries

by co-operation as a means of mobilising small savings from the people:—

"It is evident from the results achieved in various countries that the co-operative movement is able by mobilising the resources of millions of people of small means—and producers and traders—to undertake a variety of activities designed to raise the level of their productivity and purchasing power and thereby their standard of living. It is able to do this because it means that small men are able to accumulate, although almost inconsiderable in themselves, when combined are substantial enough to enable their owners to acquire some of the benefits of large-scale capital investment and organisation. Being not only concerned with business but actually one way of conducting business, co-operation has a range of potential activity that is as wide as the business of life itself."

Co-operatives are obliged for the most part to raise their operating capital principally from the persons of small means who constitute their membership. This raising of share capital alone represents no little savings effort on the part of the members. It is facilitated, however, by the fact that the shares of co-operatives are often of relatively low denomination and can frequently be paid off by instalments.

In this connection, the system of patronage refunds acts as a most important piece of savings machinery. Many co-operatives which permit the acquisition of shares by instalments stipulate that until a certain amount has been paid off, sums accruing to the members by way of patronage refunds shall be transferred entirely to the members' share account, and that thereafter one half of the patronage refund shall be so transferred until the whole share amount has been subscribed.

The patronage refund system in itself represents a form of saving. Though the annual refund is often drawn and used for consumption purposes, in many cases it is mobilised for collective application. In many cases members are encouraged to refund amounts to be credited to their share capital until the

maximum share holding has been attained. In others, equitable of savings deposits has been instituted, whereby the usually amounts are credited to the savings account of the memtrast In these ways, as has been shown, very considerable sums capital have been accumulated.

Again, many co-operatives have set up regular savings departments of their own, or have joined together to form savings banks for which they act as the agents. Particularly among workers with regular cash incomes, such institutions enable the setting aside of small weekly sums, and in certain cases contractual arrangements are made between the members and their societies for regular deduction from their pay of a stated sum of saving.

The fact that in many countries very large amounts of capital have by these various means been entrusted to co-operatives by people of small means is based upon the confidence of these people in the usefulness and security of the co-operative society. In this connection, co-operative principles and methods themselves exercise an important influence. Co-operatives are essentially organisations of persons, freely associating together on a basis of equality to achieve some common economic purpose. In other words, the co-operative association is voluntary; it is one of human beings as such and not of capital; it is managed on a democratic basis; and it has objectives in which all the members have a common interest, the attainment of which requires the contribution of each. Members have thus a personal interest in the affairs of their co-operative, and their criteria of it are the stability of its operations and the usefulness of its services to them as individuals.

To the co-operative members, the co-operative system is expected to bring a measure of economic emancipation, a decrease in indebtedness, improved working and even improvement in living conditions, lower costs of production or consumption, increased output and increased purchasing power. To the extent that co-operatives succeed in fulfilling such objectives so does confidence in them extend among people of small means as a depository for savings."

CHAPATER VI

CO-OPERATION AND ITS ALTERNATIVES

Co-operatism and Trade Unionism:—What is a Trade Union? A Trade Union is described as a continuous association of wage-earners for the purpose of maintaining or improving conditions of their employment. There are usually two types of labour organisation, viz., the Trade Union representing employees in a single trade or two or more closely related trades and the Industrial Union composed of wage-earners in a given industry.

2. **Functions of Trade Unions:**—Trade Unions have got two functions, (1) the fraternal function and (2) the fighting function. The former consists in diffusing education and culture among the members by means of lectures, meetings, discussions and like. The life of a worker is also insured against accidents or untimely death. Besides, when a worker gets out of employment or falls sick, he is maintained by the Trade Union. Older Trade Unions in England provide funds for funeral expenses and offer sickness or accident or superannuation benefits. As regards the fighting functions, activities of trade unions fall under two categories, viz., attempt to standardise conditions of employment and attempt to restrict work. A trade union tries to secure a normal working day and a standard rate of pay. It helps to keep wages of the workers up to the marginal worth of labour. It further assists in raising the marginal worth by raising the standard of efficiency of the workman. Thus it tends to bring about a rise in the level of wages. In virtue of the collective bargaining strength, a trade union acquires better conditions of work, shorter working hours and better treatment of the workmen.

3. **Features common to Trade Unionism and Co-operatism:**—Both are voluntary associations and the people joining the movement have a right to determine how many persons and of what persons the association shall consist. Further, they have a right to select their own leaders whom they can also

remove. The collective wages are divided on an equitable basis between the members of the group as may be usually agreed upon. Here the comparison ends and the contrast begins.

4. **Contrast between the two:**—(1) Co-operation is a principle of peace, while trade unionism follows the principle of warfare in the last resort to gain its objective,

(2) Co-operation seeks to abolish the master class itself, by enabling the worker to be his own master (owner of capital), while trade unionism keeps the employees or workers as a distinct class separate from employers.

(3) Co-operation is not a political movement and does not seek to attain its ends by political means. In England during recent years the co-operative movement has sought representation in Parliament and the party is known as the Co-operative Party. In other countries the attitude of the co-operative movement towards politics is one of aloofness or neutrality. Trade unionism on the other hand, seeks to gain its ends through political means. It has got its own representatives in Parliament since a long time.

(4) Co-operation works by persuasion by holding out advantages that would accrue to non-members through their admission to membership of a co-operative association, whereas trade unionism works by compulsion.

(5) Co-operation stands for self-help, for private enterprise and extension of private property, while trade unionism is tending towards nationalisation of public interests.

(6) Co-operation is not opposed to capital in any form but it deprives capital of its preponderant role in industry by giving it a fair return, that is to say, it relegates capital to the position of a mere wage-earner. When it is not possible to obtain complete control of capital, co-operators agree to a system of profit-sharing, whereby after capital has received a fair return at the market rate, the remaining profits are shared by capitalists and the workers in an agreed proportion. If the workers in a capitalistic industry are admitted to a share of the control itself, co-partnership results. If, however, the workers obtain complete control both of capital and management, then

the enterprise becomes co-operative production. Thus co-partnership in industry is regarded as a nearer approach towards co-operative production favoured by co-operators .In contrast with this attitude of the co-operative movement towards capital, trade unionism adopts an attitude of hostility towards capital, and that is why it is prevented from coming to terms with it. The attitude of a trade union towards co-partnership in industry is one of suspicion, because under such a scheme trade unionism apprehends that workers are likely to be owners or capitalists themselves, in which event they would range themselves on the side of capital itself. Then they would naturally exhibit reluctance to join hands with a trade union, they would be content with their lot. Under co-partnership, employees have a greater incentive to work harder and improve their efficiency in order to gain a better share of profits.

5. **General observations**:—One danger of the trade union movement is that, at times it seeks to restrict production and to create conditions of scarcity in order to inflate the prices of things produced, so that workers might get better wages for themselves. Such an attitude on the part of a trade union may be described as anti-social. While co-operation follows methods which are above suspicion and adheres to the principle of publicity, it prevents its employees from asking for too much. It is possible, however, for a trade union of co-operative employees to come into conflict with co-operative employers and at times co-operatives find it difficult also in deciding upon the policy they should adopt towards their employees. There has been during recent years little or no conflict in England between the followers of co-operation and the followers of the trade union movement. The recent history of trade union movement in England shows that co-operatism and trade unionism have got closer to each other. This is as it should be. When the workers obtain increased wages on the strength of their collective bargaining power, they discover to their surprise that their problem has been only partially solved. What is gained by way of an increase in wages is set off by an increase in prices of products manufactured and passed on to them for their use. Since most of the consumers

are working class people, they spend a greater portion of their increased wages in buying goods at inflated prices. Thus with a gradual realization of how their real position had not improved, the workers decided to open their own co-operative shops in order to buy all their requirements therefrom. That is how the co-operative consumer's movement in England took its birth. Thus the trade union movement in England could not fend for itself without its ally—the co-operative movement. The Trade Union movement would no doubt secure to the workers higher wages, but the co-operative consumers' movement gave them higher purchasing power for their money. Thus the two movements in England may be regarded as twin movements and complementary to each other. Most of the workers earning their livelihood in capitalistic industries are also members of co-operative stores. The trade union helps workers to earn more wages to be spent on making purchases of goods supplied by the co-operative stores. It further enables the workers to obtain experience and understanding of crafts and business methods. This helps to a great extent the co-operative industry organized by the co-operative consumers' movement. Workers who would not like to join a society for co-operative production would freely join a co-operative store. Thus a very large number of members of trade unions are actually on the rolls of co-operative stores. An agrrement for mutual support has also been entered into in England whereby the formation of labour and political alliance has been brought about. The objects of such alliance are:—

(1) To-co-ordinate the forces and activities of the Labour Party and the co-operative movement in regard to representation in Parliament and in local administrative bodies.

(2) To support one another to evolve a new social order and to establish a Co-operative Commonwealth. This alliance has meant the abandonment of the principle of political neutrality observed by the Rochdale Pioneers.

Because of this alliance it has committed itself to support the socialist candidates and to implement the socialist programme. Thus the British Co-operative Movement is divided by this venture into politics.

(II) CO-OPERATION AND CAPITALISM

What is Capitalism?—The existing economic system is known as capitalistic economy or capitalism and has resulted in a very unequal distribution of income. Some persons get a large share of total income while others get a fraction of it. There are many, therefore, who think that it is wrong for one person to receive barely enough to live on while another receives more than what he can spend wisely. If the inequalities of the present economic order are to be removed, many believe that a different method of distributing the wealth produced would be necessary to be adopted. They advocate the overthrow of the present capitalistic economy and propose to substitute for it a Co-operative Commonwealth. It is felt in many quarters also that co-operation is a peaceful way of established socialistic economy and at the same time of warding off of the dangers of fascism and communism. There are others also who contend that co-operation is an effective means of preventing the inroads of socialism and communism and would act as a brake upon the extremes of capitalism.

2... "Capitalism is a system of economic organisation in which business and industries are organised and carried on for profit by private enterprise with a minimum of Government interference. The capital is invested for private profit or gain by investors. The owners of the means of production such as a factory or a mill or a farm, employ labourers and pay them wages." Private property rights in both the capital and consumer goods form the basis of capitalism. The distinguishing features of capitalism are:—

(1) The private ownership of the means or instruments of production.

(2) The management of the instruments of production, for private gain.

(3) Freedom of contract and enterprise.

(4) Class conflict between labour and capital. (Normal feature.)

(5) Control of industry and business going with the risk.

(6) Non-intervention of Government in economic matters.

Thus capitalism as a system depends for its existence on certain fundamental institutions such as (1) right of inheritance, (2) right of free enterprise, (3) right of contract, (4) right of private gain and personal freedom, (5) free competition and guaranteed privileges.

Under the capitalistic system, nearly all farms, factories and other instruments of production of wealth are the property of private individuals who may or may not use them in accordance with national interests. Capitalism marks a particular stage of the development of industry and legal institutions of a country in which the bulk of workers degenerate into mere wage-earners, as they are divorced from the ownership of instruments of production. Again, the subsistence, security of tenure and personal freedom of the workers under the capitalistic order of society depend upon the will of a few who own and through such ownership control the organisation of the land, the machinery and the labour force of the community with the object of making private profit.

3. The functioning of the capitalistic economy is based on 'price mechanism.' The quantity and the quality of the goods produced are determined by price. Price brings about an equilibrium of demand for and supply of a commodity. It is through the price mechanism that the available productive resources of a community are employed for remunerative purposes. The price of labour is wage, that of capital is interest and that of land is rent. Wherever wages, interest and rent are high, these factors, viz., land, labour and capital, will have a tendency to move there. Since the price is paid by the consumer, his judgment as to what kind of goods should be produced and at what price they should be sold, prevails. Thus the consumer is the final authority, though the sovereignty of the consumer is tempered and affected by advertisements and the like. There is no conscious or deliberate direction and control of economic activities and the production of wealth goes on under capitalism in a planless way.

4. **Achievements of Capitalism:**—The advocates of capitalism maintain that (1) the individual initiative furnishes the

best urge for advancement of industry and business. The lure of private gain enables the enterprisers to take risks and produce such goods as the consumer likes most. Thus with abundance of goods, the comforts of life are obtained.

(2) Under capitalism the ablest who take the initiative and show resourcefulness in organising industry and business reap rewards. Thus the reward is apportioned on merits.

(3) As production is carried on according to the wishes of the consumer, the consumer would be willing to consume what is supplied to him.

(4) Capitalism has survived many crises and it is flexible so as to adapt itself to the changing economic conditions.

(5) It is also amenable to a certain amount of regulation by the State.

Nothing can be more just than the fact that the capitalist who holds the largest stake controls the industry itself. As against these achievements, there are certain drawbacks which are inherent in capitalism:—

(1) Profit motive is given free play under capitalism and private individuals are permitted to exploit every situation with a view to obtaining private gain at the cost of the community to its great detriment.

(2) Capitalism fosters too much of individualistic outlook and operates without any definite plan as to production, resulting in maladjustment of supply to demand.

(3) The concentration of power in a few hands in regard to production of goods under capitalism places vast powers leading to a very unfair and unequal distribution of wealth.

(4) The cut-throat competition which capitalism encourages often results in waste of resources and man-power resulting in over-production of certain classes of goods.

(5) Capitalism because of its production of goods in anticipation of demand in a planless manner leads to violence also in its anxiety to find markets or outlets for the goods produced.

(6) The greatest objection that can be raised against the capitalistic way of production of goods is that human values are not at all taken into account and the worker degenerates into a mere part of an automaton manufacturing the eighteenth part of a pin all his life, thus altogether losing his personality.

(7) Capitalism leads to a division of society into two hostile camps, viz., labourers and capitalists, and workers have no sense of security, as greater emphasis is placed on property than on human rights.

(8) Again, capitalism is also responsible for the creation of certain anomalies like abundance of goods side by side with the starvation of the people, idle machinery side by side with the unemployment of workers, existence of a few rich people side by side with a vast majority eking out their bare existence with a low standard of living and occurrence of booms and depressions one following the other in succession.

5. The following are the common points or features between a co-operative society and a capitalistic concern or enterprise:—

(1) Co-operatives also require capital to carry on their functions and pay interest for its use according to market rates; beyond this capital in a co-operative concern does not enjoy any further privileges or special treatment unlike in a capitalistic business.

(2) Co-operatives also need labour and try to get it as cheaply as possible as capitalists do. Co-operatives use lands, buildings and other equipment which they try to purchase at as reasonable a price as possible.

(3) Co-operatives also employ executives and pay them a remuneration on a scale comparable to that in operation in a joint stock concern.

(4) Co-operatives also depend upon business efficiency for their success just as capitalistic enterprises do.

(5) Co-operatives also are inclined in favour of continuance of those institutions that are fundamental to capitalism mentioned above.

In spite of these common features existing between a co-operative society and a joint stock concern, differences between co-operatism and capitalism are more striking than similarities. Thus a co-operative society may be contrasted with a capitalistic concern in various aspects as under:—

(1) Although co-operatives need capital and use it capital is shorn of the preponderant role which it plays in profit business. Capital receives only that much return which is usually obtained under conditions of a free market. Thus capital in a co-operative concern is a mere wage-earner.

(2) A capitalist in a profit business invests his capital in the hope of getting more profit to himself, but a member in a co-operative society uses capital as a means to provide better economic services at cost.

(3) A capitalistic concern is a union of capital, while a co-operative society is a union of persons.

(4) Capital owns men in a capitalistic enterprise, while in a co-operative concern men own capital.

(5) In a joint stock company or a concern, voting is normally regulated according to the amount of shareholding and hence by means of proxy-voting the capitalist dominates the concern, while in a co-operative society 'one man one vote' is the rule followed, regardless of the amount of share a person holds. Hence it is economic democracy in its actual working.

(6) Profit motive whether for the worker or for the employer and more so for the employer than for the worker, is the mainspring of action under capitalism, whereas under co-operation service motive is more predominant. Co-operatives as business concerns are bound to make profits like their counterparts the capitalistic concerns—and indeed their efficiency would depend on their ability to earn reasonable profits. But what distinguishes them from their counterparts is that the profits so made are ploughed back to those who have contributed to the making of them after paying a reasonable rate of dividend on capital employed and after utilising a portion of such profits in financing schemes of social welfare and educational activities.

(7) In order to secure to himself the advantages accruing from the position of monopoly which a capitalist occupies, he

tries to eliminate all competitors, while a co-operative con… keeps in mind the benefit of its members as its chief aim even if it gets advantages of monopoly. A co-operative society tries to eliminate unbridled competition amongst members and to liberate them from such a position and to reduce the competitive advantages of those with whom it deals.

(8) From its very nature a capitalistic business tends to concentrate wealth in the hands of a few capitalists, whereas the co-operative system tends to decentralise it.

(9) In a co-operative business, there tends to be personal relationship between the member and his organisation, while in a capitalistic enterprise this relationship is highly impersonal.

Co-operatism and Capitalism can be contrasted and shown in a tabular form as under:—

Matters in respect of which differences arise	Co-operation	Capitalism
(1) Purpose	Better economic service, with a view to improving the standard of living of its members.	Increase in the amount of profit or return on investments to the shareholders.
(2) Basis of Organisation	Individuals.	Money.
(3) Membership	Open membership based on selective process. Restrictions on the amount of shares to be held by a member.	Unrestricted sale of shares, but many are closed corporations.
(4) Administration	Democratic. One man one vote is the rule. Voting by proxy is not generally allowed.	Oligarchical. Control is really vested in a few people in the inner circle. Voting by proxy is allowed.
(5) Operations	In the interest of members and customers.	In the interest of shareholders only.

Matters in respect of which differences arise	Co-operation	Capitalism
(6) Patronage	Sought from members and sometimes from non-members as well.	Sought from anyone from whom business can be had.
(7) Profit or Savings	Return to members on the basis of patronage extended. Limitation of payment of dividend on shares.	Return to shareholders on the basis of Shares held. No restriction on payment of dividend. Tendency to concentrate wealth among shareholders.

These points of contrast are admirably brought out by Mr. Harold J. Laski in his book entitled "The Spirit of Co-operation" in the following words:—

"The essence of co-operation is a denial that the profit-making motive can ever produce a just or humane society. My inference from this is the vital one that between co-operation and capitalism there can be no peace. They are mutually exclusive conceptions of society. The one seeks to end the exploitation of man by man; the life of the other is built upon that of exploitation. The one puts need where the other puts profits. The one thinks of the community as a great fellowship of consumers integrated into unity by common wants; the other thinks of it as an aggregate of individuals whose rights are measured only by the effective demand they embody. The one thinks of international trade as an exchange of goods and services to mutual advantage; how the other regards it is shown, dramatically enough not merely by tariff and subsidy and quota, but, even more by Japanese aggression in China and Italian imperialism in Abyssinia. The co-operative movement is an exercise in fellowship or it is nothing. Capitalist society assumes that the individual's pursuit of his own way is the inescapable condition of public well-being. There can be as I say, no peace between co-operation and capitalism. In the same world, there is no room for the ideologies of both."

(III) SOCIALISM:—Among those who want to change the present economic order are persons who are known as socialists. The word 'socialism' is a vague term and means any of the following three things:—

(1) Reorganised Economic Society.
(2) A Body of Economic Principles serving as a basis of social movement.
(3) A political movement aiming at the realisation of a socialistic state.

Socialism as a theory holds that the State should own, operate and distribute all the productive resources of a community and restrict private ownership to articles of consumption only. Socialists are split into many groups and several types of socialism known are:—

(1) Marxian socialism or scientific socialism.
(2) State socialism.
(3) Guild socialism.
(4) Evolutionary and Revolutionary socialism.

There are also socialists of the chair and Fabian socialists. The differences amongst socialists have arisen on account of the divergence of the views held as to how property should be held in common or as to the best method of establishing a socialistic state or as to how the distribution of services and goods should be carried out. There are, however, two principles common to all socialists, viz.,

(1) The substitution of collective ownership for private property in all instruments of production which permit exploitation of labour.

(2) The substitution of a central authority controlling production in place of the present competitive system.

(1) **Marxian Socialism or Scientific Socialism:**—Karl Marx is considered to be the father of scientific socialism. The chief point of the theory propounded by him may be briefly stated as under:—

He seeks to explain every event of history on economic grounds. According to him, all wars, riots, political movements have their origin in economic factors. A capitalistic economy

would bring forth a government which supports property rights. Capitalism would produce conditions which replace it by socialism. According to him, wealth would get concentrated under capitalism in fewer and fewer hands and monopolies would be created and production would expand to such an extent as to result in a scramble for profits. Markets for the disposal of goods and territories for the supply of raw materials would be eagerly sought after. This would lead certainly to an imperialist war followed by another more terrible than the preceding one, till capitalism would perish in the conflict. Karl Marx states that a manufacturer gets more for his commodity than what he spends on labour, raw materials and other equipment to produce that commodity. This surplus is the creation of labour, according to Karl Marx, which is appropriated by the manufacturers. Such an appropriation is condemned by Karl Marx as nothing less than robbery.

2. **State Socialism, or Collectivism**:—The State socialists believe in parliamentary democracy and nationalisation of all the instruments of production. They advocate the capture of the political machinery for the realisation of their ends. The State machine would be utilised in the production and distribution of wealth and would do for them that what they want. Profits of industry under State socialism would go to the coffers of the State for the benefit of the masses.

3. **Guild Socialism.**—The guild socialists start with a distrust of the State. They do not believe that the State can efficiently handle the productive machinery. According to them, capitalists are to be done away with and their place taken by the workers' guilds in running the farms, factories and other instruments of production. The guilds so formed would, in their opinion, manage production efficiently. In other words, they advocate the establishment of self-government in industry. Guild socialists want the State to supervise and act on behalf of the whole body of consumers. According to the views advocated by them, the ownership of the instruments of production is to vest in the State, but the actual operation and handling should be left to the workers themselves. The role

of the State, according to them, should simply be to fix the proper prices and to maintain the quality of goods produced. In short, they advocate that the State should jealously guard the interests of the consumer by abolishing inefficiency of bureaucratic management in business.

3. (a) **Syndicalism**—Under syndicalism the control of industry vests in the hands of organised workers in that industry. The workers would select their own managers and exercise control over all the conditions and agencies of production. The syndicalist does not believe in the efficiency of the State as an effective instrument for the realisation of socialistic ideals. The syndicalist also starts with a distrust of the State official, as he is of the middle-class mentality and is in the habit of bossing over others and thus he cannot understand what the workers want. The syndicalist is opposed to the strengthening of the State and wants to build up a social, economic and political structure on a network of trade unions. Under the syndicalist plan the railways would be worked by the rail-road workers and the mines by the miners and automobile plants by the workers working in those plants, and besides, they would belong to the workers only. Thus under the syndicalist plan, the elimination of the capitalist is brought about with a view to making the workers supreme. The syndicalist believes in the policy of direct action through the strike rather than indirectly through the ballot box. The syndicalist chiefly aims at sharpening the hatred of the workers towards capitalists. While advocating the paralysis of the political machinery through the strike the syndicalist is not clear about the structure of the society which he wants to create after the revolution. The main drawbacks of the syndicalist plan are

(1) the method advocated for the attainment of the ends aimed at is more destructive than constructive.

(2) absence of any arrangement for the establishment of amicable relations between different industries, when disputes arise among various groups of workers. The main aim of the syndicalist programme fails because the workers would be driven towards capitalism rather than away from it, since the syndicalist is after making as much profit as possible out

of production to the neglect of the interests of the consumer. The belief of the syndicalist that the workers would take the place of government and parliament being elected from the trades and crafts, would be a mere dream, and is bound to remain unfulfilled.

4. **Evolutionary and Revolutionray Socialism:**—The revolutionary socialists believe in revolution as an effective instrument for the attainment of their ends, on the ground that evolutionary path is long and uncertain, while the evolutionary socialists believe that no permanent good would result through revolution according to them, everything would be thrown in the melting pot. They further believe that revolution may produce such people as are ruthless, aggressive, unscrupulous, as the example of the French Revolution has shown. The French Revolution, according to them, let loose a reign of terror instead of bringing in an era of liberty, equality and fraternity.

5. **Socialists of the Chair**:—These persons are socialists by conviction. They are generally professors of economics and political sciences in schools and colleges and they are more theoretical than practical.

6. **Fabian Socialists**:—These are men of literature like the late Mr. Bernard Shaw in England who believe that socialism is a question of conviction. If the people are convinced of the virtues of socialism, no power on earth can prevent its spread. Fabian socialists carry on an incessant struggle against capitalism through propaganda and stress the necessity of socialism. They further argue that with the spread of the socialistic ideas, a socialistic society would be established without much difficulty.

7. **The Main Features of a Socialist Economy**:—Despite the divergent opinions among socialists and their division into various sects, the principles on which the majority of socialists are agreed may be summed up briefly as under:—

(1) Nationalisation of all the Instruments of Production,

such as land, factories, mines, railways etc., and their ownership to be transferred to the State.

(2) Production to be organised and conducted by the State, no private enterprise being permitted.

(3) Controlling boards would be established in each industry and the State would pay wages fixed by such boards.

(4) The State would provide work for everybody, and thus the main source of income would be wages.

(5) The State itself would be the capitalist, the landlord and the organiser of industry, and thus interest and rent would disappear.

(6) Remuneration for work would vary according to one's ability and everybody is assured of an equality of opportunity for rise in life, irrespective of rank.

(7) The State would undertake both production and distribution processes and pay costs of production and annex profits as well. Profits arising out of production would be spent by the State on education, medical relief, recreation and entertainment of the poor.

(8) Private property in capital goods like residential house, furniture and fixtures and other consumer goods would be allowed, and living on unearned income, that is to say, interest on accumulation of capital, would be discouraged.

(9) Freedom from want would be assured and fear arising from insecurity of service would be done away with.

8. Merits and Demerits of the Socialist Programme:— Under socialism trade depression is removed together with unemployment, as every individual is employed by the State.

Merits. (i) As profits of industry go to the State, considerable funds would be available for provision of amenities such as education, medical facilities, entertainment, free milk for children, etc. Though production is regimented, it can work no hardship, because production of all types of goods can be increased effectively by the socialistic state through planning and consumption expanded in more useful directions.

(ii) The productive resources of a community are allocated by a socialistic state among various uses. It can build a

solid foundation for a country's strength and prosperity, as the socialistic state is mainly guided by the considerations of social security and welfare of masses.

(iii) Dirty and degrading jobs under socialism would be relegated to machinery and thus men would be free to pursue higher aims in life.

(iv) As equality of opportunity is afforded to all to rise to higher positions in life, considerable uplift of the masses is brought about under socialistic state.

Demerits:—As against these merits, mention may be made of the dangers and difficulties inherent in socialism:—

(i) Under a socialistic state a bureaucratic machinery is set up which is not propely qualified for running a business or industry in an efficient manner. Under the bureaucratic management there would be routine and redtapism, and initiative and resourcefulness would be absent.

(ii) There would b a mal-adjustment in supply and demand, as the task of orgnising production all round to set every worker on the right job and to make proper investment in the right kind of enterpise would be a pretty difficult job for any single centralised athority.

(iii) The consumer loses his sovereignty and would have to be rest satisfied with th sort of things produced by the state. Thus he will not beable to maximise his satisfaction resulting in hardship and ivation.

(iv) Under socialism he element of personal incentive is lost and the inventive ility or creative spirit would be pretty difficult. It may be ated that a socialistic government can print works of authors e Shakespeare or Saint Tukaram, but it cannot make peop\ write them.

(v) Under socialism reedom of choice of occupation to the worker is also lost. hough employment is guaranteed, the worker cannot chang his occupation without the consent of the central planning aorority.

9. Similarities betwn Co-operatism and Socialism:— Barring Marxian socialism co-operatism and socialism can be said to have a common igin. Although Rochdale Pioneers

were mostly illiterate working men, they were inspired with certain ideals and the rules adopted by them disclose a curious medley of Owenism, Christian Socialism and opinions of earlier schools of economic and social thought. Both are socio-economic movements opposed to the capitalistic system, seeking to replace capitalism by a new system in which the profit motive would be eliminated by substituting for it service motive. Both keep social and economic welfare of man as their ideal. Both are opposed to the individualism of capitalism and pin their faith on collective action in attaining their economic and social objectives, though co-operation does not advocate ownership of goods and industry. Though co-operatism and socialism have similar goals in view, it should be remembered that they are not identical movements. They differ fundamentally in regard to the methods they adopt to gain their objectives and in regard to certain questions of principles also. The differences are much more striking than the resemblances as shown below:—

Matters in regard to which differences arise	Socialism	Co-operation
(1) Private Property	Socialism condemns private property in principle and all socialists are agreed as to the abolition of private ownership of certain kinds of enterprises such as farming, mining, banking, insurance, etc. Socialism takes its stand that accumulation of private property is bad, as it gets concentrated into a few hands.	Co-operatism favours the extension of private property among people because many have not got such property. It takes its stand on the fact that possession of private property by the many is good. Thus it believes in the equitable distribution of property. This is accomplished in the consumers co-operative organization through the working of the principle of bonus on purchases.

Matters in respect of which differences arise	Socialism	Co-operatism
(2) Individual Liberty	Personal freedom is sacrificed for the community. The individual under socialism exists for the group or the community. Thus the individual is suppressed and the community or the state comes first.	Co-operation sticks to the principle of voluntarism as it takes the stand that the state or the community exists for the individual and not vice versa. It respects the wishes of the individual and allows complete liberty either to join the association or leave it at his will. It is this principle of voluntarism which acts as a limiting factor and prevents its spread, so as to become major economic system. Co-operatism does not believe in expansion through coercion.
(3) Attitude towards Capital	Socialism does not recognise capital as a factor in production and hence no question in regard to remunerating capital arises under socialism. Some socialists favour an out and out expropriation of the capitalist class without any payment of compensation, while others are inclined for a gradual abolition of capitalism through the laws of the State, while still others favour the violent overthrow of the capitalist system.	Co-operatism recognises the place of capital in production of wealth and makes capital a mere wage-earner. It believes that since capital helps in the production of wealth, it should not go unrewarded.
(4) Attitude towards Labour	Socialist economy is esentially a worker economy based on State help. Even discrimina-	In consumers' co-operation, the consumer is the foundation. Ownership and control of economy will vest

Matters in regard to which differences arise	Socialism	Co-operatism
	tion is made against the white-collared class of employees on the ground that they are privileged.	in the organised body of consumers. Labour is only regarded as one of the factors of production entitled to a fair wage and proper conditions of work. Co-operation is not prepared to go beyond this, as it believes that production is for use or consumption and it is opposed to the control of industry by the workers. It is an economy based on self-help.
(5) Attitude towards the state	All socialists believe that the State is the only benevolent organization that can correct the abuses of capitalism, and hence the rights of the State come before those of the individual. Under Marxian socialism, the individual is simply at the mercy of the State. Politics is thus the vital part of socialism.	The creed of co-operatism is political neutrality. It believes that the State should not do what the individuals can do by themselves Co-operative opinion is divided on the question of relationship of the co-operative movement towards the State, which will be dealt with in a later chapter.
(6) Method employed to gain the objectives	The revolutionary socialists advocate the use of force or violence to attain the socialist ideal. Though the evolutionary socialists stand for persuasive methods such as propaganda and education in the attainment of their ideal, still they advocate and make use of legislative compulsion in the attainment of their ideal.	Co-operatism is entirely opposed to the use of compulsion or force in order to gain its objectives or to gain control of the economy. It makes use of education and publicity in propagating its spread.

Matters in regard to which differences arise	Socialism	Co-operatism
(7) Profits or Savings	When socialism talks of elimination of the profit motive, it refers to the individual enterprises only, because it sees no objection if the State were to make profits in the running of industries.	Since production is for use under co-operatism the consumers who establish a co-operative do not like to make profits out of themselves. If the consumers are required to pay for goods at market prices instead of at cost, the surcharge, that is to say, the difference between cost and market price is refunded to the consumer in the form of bonus on purchases.
(8) Legislation	Legislation is resorted to to advance the cause of socialism, once a socialist party is returned to power.	Legislation cannot be a co-operative technique, though co-operatism is not indifferent to the impact of legislation on its interests. Co-operation might exist in spite of inimical legislation, and it works through the lobby.
(9) Existence of a body of principles	Socialism has no fixed principles of working nor have socialists devised any clear-cut operative methods in the attainment of their objectives and hence they are split up in to many groups.	Co-operation works on definite principles of its own, as already explained in a previous chapter.

General Observations :—The greatest drawback of the socialist plan is that a socialist assumes that a man will work hard simply for the pleasure of helping his fellow human beings which is not, however, the case. No doubt socialism has stimulated a desire among people for socio-economic reforms all round, such as clearance of slums, removal of unemployment, better housing, provision of old age pensions, provision

of insurance and abolition of child labour in capitalistic industries, but as socialism is built out of the poor, the prosperity of the masses kills socialism.

10. Co-operation and Communism:—Communism as an economic system would vest the ownership and control of all capital and consumer goods in the State. There would be no ownership of private property nor any private business. The Government would own everything and every citizen would work for the State and there would be no income except wages or salaries. Each person would produce according to his ability and consume according to his needs. Though the Russians claim that they have established a genuine system of communism distinction is made between ownership of capital for private gain and ownership of various forms of personal property such as house, books, clothes, furniture etc. for personal use. There is neither individual nor collective power of bargaining permitted to the workers nor have the workers any choice as to where they would work or for whom they would work. Definite jobs are assigned to the workers who are not allowed to leave them without the consent of a higher authority. A genuine brand of communism is a Utopian scheme because the scheme aims at the establishment of a society with the community's ownership and administration by the working class, and communism even aims at the abolition of the State, but this is an impossible contingency, as the Russian experiment itself has shown. Communism in Russia, according to certain quarters is a "glorified State capitalism." The State is a great capitalist and industries are run under its supervision and control with a view to making profits. This naturally involves conflicts all round. The State in trying to secure as high a return as possible comes into conflict with the workers who are prone to demand higher wages and if the demands of workers are met, the prices to be charged on goods would be naturally higher and thus the State comes into conflict with consumers who clamour for cheapening them.

11. Communism and Socialism:—Both are systems in which the community owns and operates the vital industries

like the railways, mines and other public utility concerns. The aim is not private gain but service to the community in general at the lowest possible cost. While communism would try to gain its objectives by revolution by overthrowing the old order, socialism would try to gain control of the economy gradually and through legislative enactments. Although there are revolutionary socialists who differ little from communists, most of the socialists are evolutionary in their methods and aims. The socialists would compromise on many matters and permit the ownership of one's own house or even a farm. They would further arrive at a more equitable distribution of income by increasing taxes on high incomes and inheritances rather than by expropriation.

12. **Communism and Co-operation: A Contrast:**—Communism is opposed to the co-operative movement, as it abhors democracy. It is found to be hostile because the philosophies underlying the two systems are diametrically opposed to each other. Communists have tried to capture co-operative societies with a view to spreading the ideas of communism. In Russia, the co-operative movement has suffered great vicissitudes and ultimately it has survived, though it is absolutely dependent on the State and on the Communist Party. Henry May, the General Secretary of the International Co-operative Alliance, has written the following about "Co-operatives in Russia" in an article contributed to the Review of the International Co-operation-March 1936:—

"Since 1918 the Russian co-operative movement could not be regarded as absolutely independent of the Communist Party. Throughout the whole period, the Communist Party has maintained a firm grip over the central executive organisation of all forms of co-operation, not only in Moscow but in all republican, provincial, regional and district centres. Even the election of a president of a closed factory co-operative society, was often influenced in one way or another, and if a communist could not be found to occupy the post of president, then the election was secured of a non-party man who might be expected to carry out the directives given by the local or central authorities of the Communist Party."

13. Co-operation Vs: Fascism:—Another rival socio-economic system is fascism. It was developed by Mussolini in Italy and later adopted by his partner Adolf Hitler in Germany. The essence of the fascist plan is that it recognises the ownership of private property in land, capital and other instruments of production, but many restrictions are placed on their operation and management in the larger interests of the community as a whole. Individual initiative and enterprise are allowed but subject to State regulations. Interest and profits are similarly regulated and controlled. Private business is allowed but it is hedged in with restrictions and regulations. Government subsidises manufacturers and exercises complete control over the wages of workers and the prices of goods. Foreign trade is kept strictly under control and the Government takes nearly half the national income in the shape of taxes or forced loans. Workers under Fascism have very few rights. Labour Unions are prohibited and strikes banished and Government itself regulates production, processing, prices and sales of commodities. All the economic activities of the people are strictly regimented and the State is supreme and the individual is at its mercy. While Fascism tries to reap all the advantages of capitalism, it studiously avoids its weaknesses. The State controls capitalism, because the interests of the nation are, under capitalism, harmed by unregulated economy. Similarly, Fascism catches the good points of socialism, while trying to avoid its pitfalls. By leaving the ownership of the instruments of production in private hands, a Fascist Government avoids bureaucratic management, inefficiency, nepotism and corruption. Thus fascism is also known as State-controlled capitalism, and its distinguishing features are the avoidance of the class struggle and proper utilisation of the resources of the community in the national interests and the supremacy of the interests of the communty over those of the individual. The fascist plan has a lesson to those countries who want to derive the advantages of planned economy without socialising instruments of production. The example of Germany and a few other countries demonstrates how the socio-economic life can be on a planned basis even in democratic countries in order to bring about maximum efficiency in production and maximum amount of

fairplay in distribution without at the same time scaring away other components of society like the capitalists or the landlords by raising a bogey of revolution. Both co-operation and fascism borrow the good points of capitalism and socialism and avoid their weaknesses. But co-operation is not fascism It is fundamentally a democratic institution. A co-operative society is controlled by its members in order to promote their interests, while a Fascist Corporation is controlled by the State which is supreme and the individual is subordinate to it.

14. General Observations:—From what has already been written, it will be seen that co-operation is neither capitalism nor socialism nor communism nor fascism. It differs from any of these alternatives and it is a synthesis of several plans of socio-economic reforms. No doubt it resembles capitalism and socialism to some extent, but it differs from them in many respects as already mentioned. It is distinguished from other systems in regard to its objectives and principles rather than in regard to its operating method. Co-operation moderates the extremes of capitalism, socialism and fascism and occupies in many respects a middle position. It is neither conservative nor radical, but a liberal movement, idealistic in its objectives and practical in its application. An ex-Registrar of the Bombay State, Shri. V. S. Bhide, I.C.S., writes about co-operation in one of his Administration Reports:

"Co-operation represents a happy mean between 'the forces of extreme individualism on the one hand and extremes of socialism and communism on the other. It stands for individual rights tempered by considerations of justice, equity and fair deal as between man and man, and its one great aim is to prevent the exploitation of the weaker by the stronger party. Co-operation is a vast movement, which promotes voluntary association of individuals who strive after the achievement of common economic ends they have in view and who bring into this combination a moral effort and a progressively developing realisation of their moral obligations."

CHAPTER VII

CLASSIFICATION OF CO-OPERATIVE SOCIETIES

1. **The Need for Classification:**—A proper classification of co-operative societies is necessary for the following reasons:—

Firstly, it facilitates the study of principles that govern the working of different kinds of societies;

Secondly, it facilitates a comparative study of the progress made in regard to different sectors of the co-operative movement in different regions or countries;

Thirdly, it enables one to understand the scope, the functions and limitations of different kinds of societies, as these factors assume more importance with the development of the co-operative movement in diverse directions;

Lastly, a classification is necessary because the rights and liabilities of different types of societies are not the same under co-operative laws. Some types of societies are young and less developed than others and are accorded by the State special privileges and concessions to facilitate their growth and development. In the Bombay State, e. g., the multi-purpose societies, the purchase and sale societies, the co-operative farming and irrigation societies enjoy certain financial facilities at the hands of the State which promote their development in all possible ways. In order to secure their financial stability, the Co-operative Societies Act VII in Bombay requires that all resource and producer's societies should set apart 25 per cent. of their net profits to their statutory reserve funds while in the case of societies other than those mentioned above it is sufficient if at least 10 per cent. of their net profits were so set apart. Similarly, in the case of a resource society on a basis of unlimited liability in which the members do not hold shares, no distribution of the balance of profits is made without the special or general sanction of the State Government after the prescribed payment is made under Section 39 of the Act, and in the case of a resource society on a basis of limited liability where the members hold shares, no distribution of profits is

allowed until a period of ten years has elapsed from the date of registration of such society. Again, under the provisions of Rule 24 of the Bombay Co-operative Societies Rules, consumers' producers', housing or a farming society can pay a cumulative dividend out of the future profits of the next ten years, if they are unable to pay in any one year a dividend of 4 per cent. in respect of any year, while in the case of a general or society, no such cumulative dividend can be paid. Further, in the case of a society with a working capital of Rs. 50,000 or more, if an officer or a member thereof fails without any reasonable excuse to give any notice, send any return or document, do or allow to be done anything which the society, officer or member is required to give, send, do or allow to be done or if a society or an officer or a member thereof wilfully neglects or refuses to do any act or to furnish any information required for the purposes of the Act by the Registrar or other person duly authorised by him in writing or if a society or an officer or a member thereof wilfully makes a false return or furnishes false information or if any person wilfully or without any reasonable excuse disobeys any summons, requisition or lawful written order issued under the Act or does not furnish any information lawfully required from him by a person authorised under the Act, such wilful act or omission or failure to do or omit anything mentioned above is considered as an offence and punished, while in the case of societies having a smaller working capital, no such negligence or negligent conduct is taken notice of and regarded as an offence.

It would be worthwhile seeing how different principles govern different types of societies in regard to the same matter. Take for instance the question of admission to membership of a co-operative store. In the case of a co-operative consumers' society it is not open to it under the provisions of Rule 45-A to refuse admission to membership without sufficient cause, any person who is duly qualified under its bye-laws. When such admission is refused, any person aggrieved by such refusal is permitted to appeal to the President of the Federal Society to which the said society is affiliated or if it is not affiliated to any federal society, to the President of the Bombay

Provincial Co-operative Institute. The decision of the President of the Federal Society or the Chairman of the Bombay Provincial Co-operative Institute is regarded as final. In this case the principle of open membership—the Rochdale principle—is applied and the society acts on the principle of "more the merrier," as it is a trading society, and the society stands to gain with an increase in membership; whereas in the case of an agricultural credit society working on Raffeisen principles, the open door principle followed by the consumers' co-operative societies has to be restricted in its application and membership has to be compact, as members have to evaluate each other's credit, enquire into the objects of the loans and keep a watch on the employment of funds. As the liability of the society is unlimited, the members are required to know each other and to have mutual watchfulness and supervision over each other's dealings. Similarly, in the case of producers' societies the principle of universality found in consumers' co-operation must have to be modified in its application to bona fide producers only. In addition to the modification of the principle of universality, the producers' co-operatives have found it necessary to follow principles of their own. The principle of cash trading so essential to the success of consumers' co-operatives does not apply to a producers' co-operative. Consignments of goods made by producers to the society are generally paid for not on delivery but only after the goods are sold; that is to say, the producers' society trades only on an agency basis and not on a proprietary one, and there are sound reasons why a producers co-operative should not pay cash on delivery.

Thus the selective process of admission to membership in a primary agricultural credit society cannot be altogether abrogated even under the planned development of the co-operative movement which is being implemented in the Bombay State. The integrated system of co-operative finance followed in the State requires that all credit worthy borrowers be admitted to membership of a primary agricultural credit society, but whom for one reason or the other the managing committee of the autonomous society may be reluctant to admit

to full-fledged membership. In such a case, the principle of selection to membership is compromised with by resorting to the device of nominal membership. Nominal members have limited responsibilities and limited privileges. They have no share in the profits or in the management of societies and are not subject to any liability in case of winding up of the association. On payment of a small admission fee they are admitted as nominal members and obtain credit and are governed by the provisions of the Bombay Co-operative Societies Act, VII of 1925.

These instances point to the necessity and importance of having a proper classification of co-operative societies.

2. Variety of Methods employed in the Classification of Co-operative Societies.—The classification of co-operative societies can be traced to the evolution of the co-operative movement itself. In England, for example, as the co-operative movement started with co-operative consumers' stores only one class was recognised by the orthodox co-operators on the ground that all production was intended for use or consumption and that every human being was first and last a consumer of food, clothing and shelter etc. But when later, producers produced goods not for their local consumption or use but for exchange in the open market and asserted that they should have a distinct place in the movement, a two-fold classification of co-operative societies came, to be recognised, viz., consumers' co-operation and producers' co-operation. Later on, when co-operatives in the agricultural field came into their own, another two-fold classification was evolved, viz., industrial co-operation and agricultural co-operation. The former consisted of both consumers' and producers' co-operatives, while the latter embraced all the activities relating to the farmer's occupation. The objects with which co-operatives are organised vary considerably, and consequently co-operatives are divided into various groups and are accordingly classified on the basis of different criteria. Some take the direct economic interests of the members in the organisation as the basis of classification and classify societies into two categories, viz., consumers' and producers' societies'. The second classification is based on the

economic functions of co-operative organisations and co-operatives are divided accordingly into societies of production, distribution, supply and credit. The third classification that is attempted is based on the location of societies and societies are thus classified as urban and rural. Yet another classification made by Lavergne in French literature deserves mention because it is based on the method of the distribution of profit. Profits can be distributed in a consumers' society among the buyers in proportion to their purchases known as 'patronage refund,' in labour contract societies or producers' societies among the workers in proportion to the quantity of the work done or wages earned or among the tenants in a co-operative housing society in proportion to the rent paid by tenants or among shareholders in any society which raises its capital by means of shares in proportion to the amount of the share-holding of each. Another classification is also attempted on the basis of the members', residence or occupation, but this classification is neither popular nor is its scientific value admitted.

A comprehensive classification of the co-operative organization, says Dr. Barou in his book "Co-operative Banking," can only be worked out by taking into consideration three elements: the economic function which the organisation fulfils for its members; the economic position of its members and the sphere of its operation whether rural or urban. Combining these three elements, he arrives at the following classification:—

Function	Membership : Wage-earners in town and country	Membership : Small Producers Town	Membership : Small Producers Country
1. Production or Purchases of consumer goods for distribution among members.	Co-operative Consumers' Association	Co-operative Consumers' Association.	Co-operative Consumers' Association.
2. Purchases for productive purposes.	—	Associations for purchase of raw materials, tool and implements.	Associations for purchase of agricultural machinery, fertilisers and feeding stuffs, etc.

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2. Purchases for productive purposes.	—	Associations for purchase of raw materials, tool and implements.	Associations for purchase of agricultural machinery, fertilisers and feeding stuffs, etc.

Function	Membership : Wage-earners in town and country	Membership : Small Producers Town	Country
3. Distribution.	Co-operative Building Associations	Co-operative Building Associations.	—
4. Credit.	Workers' Credit Unions	Credit Associations for Productive Purposes.	Credit Associations for Productive Purposes.
5. Insurance.	Insurance Associations, Life, Fire, etc.	Associations for insuring machinery, products and raw materials.	Associations for insurance of crop, cattle and raw materials.
6. Joint Production	Workers' Productive Societies.	Artisan producers' societies.	Agricultural producers' societies, joint farming
7. Joint Labour.	Workers' joint labour groups or guilds.	—	—
8. Joint use of water or electricity.	For domestic purposes.	For productive purposes.	For productive purposes.
9. Joint use of machinery.	—	Do	Do
10. Marketing.	—	Do Warehousing and marketing unions.	Do Storage and marketing unions.

Classification of Co-operative Societies in India:—In India the Co-operative Movement in the Urban Areas owes its success to the efforts of the middle classes and the classification adopted in the Co-operative Credit Societies' Act, 1904 was for rural and urban co-operation and non-agricultural and agricultural co-operation. This classification based as it was on the residence of the members of societies or their occupation was regarded as not very scientific as nothing prevented a person of any one occupation residing in any area from organising societies generally started by persons following any other profession or occupation or residing in any other area. If, however,

the classification is made on the basis of the purpose for which the societies are formed it would take the main lines adopted by the International Institute of Agriculture at Rome viz., (1) Credit, (2) Production, (3) Purchase and Sale.

2. **The classification of co-operative societies found in the Bombay Co-operative Societies' Act of 1925:** is based on the classification of societies as adopted by French Co-operators under the leadership of Prof. Nash. A three-fold division of societies was made by them, viz. Resource Societies, Producers' Societies and Consumers' Societies corresponding to the three aspects from which man as an economic being can be regarded i.e. to say, (1) man by his labour is a producer of commodities, (2) As a living being he is and must be a consumer of food, clothing shelter and other articles and as an individual looking to his own interests he requires and obtains resources for his own use and advantage. All societies according to French Co-operators can be brought under this three-fold classification which is regarded as more scientific than the one followed previously in the Bombay State. The Co-operative Societies' Act in the State actually follows a fivefold classification of societies on the basis of the analysis of Prof. Nash and two more divisions were added later.

A resource Society as defined by the Act is one which is formed with the object of obtaining for its members the credit or goods or services required by them. The resources may be provided in cash as in the case of Credit Societies or in kind such as seed implements, manure, fertilisers, feeding stuffs and the like. Even Marketing Societies would come under this category for such societies provide their members with resources in money in exchange for their produce. The main characteristic feature of this class of society is that the members are left free to follow their trade or occupation or profession though they join societies. Individual or proprietary rights remain untouched and the sole purpose of the society is to procure for the members the resources they need either in money or kind or professional instruments. There may be industrial resource societies as well as agricultural resource societies. A producer

society as defined by the Act is one formed with the object of producing and disposing of goods as the collective property of its members and includes a society formed with the object of the collective disposal of the labour of the members of such society. This is a class of society in which members associate as workers for collective production, not as individuals but collectively as a whole though this type of society is met with gnerally in the industrial sphere. It is also found in the agricultural field in what are known as the joint farming societies. The definition given in the Act also includes a society formed for the collective disposal of labour like the Brachianti type in Italy or the forest labourers' Societies in Bombay. The main characteristic feature of this class of society is that it does away with the private property and private ownership of its members. The goods are collectively produced in a workshop and jointly disposed of and what is put in by the members is their labour in the production of goods. A producer Society can claim to be called co-operative when all or at least the majority of those employed in the production of goods are members of the society who participate in the profits of the society and workers who are non-members are engaged only in exceptional circumstances or who have prospects of becoming members later. What distinguishes a co-operative producer society is that goods are collectively produced for sale to non-members making the enterprise a profit-making one. The workshop or a factory owned and managed by and run for the people working in it comes to be regarded as an illegitimate child of the movement but it may be noted that true co-operative enterprise is a valuabie training ground for the working classes as to how to manage their industrial enterprises. Producer societies originated in France and are reported to be working there satisfactorily but the history of the co-operative productive enterprise in various other countries records instances of failures of this type of co-operative activity due to various reasons. It is only a close producer-consumer relationship that promises hope for the success of producers' co-operation.

A consumer society as defined by the Act is one formed with the object of obtaining and distributing goods to or of

performing services for its members as well as to other consumers and of dividing amongst its members and customers in a proportion prescribed by the rules or by the bye-laws of the Society, the profits accruing from such supplies and distribution. The purpose of the co-operative consumers' movement is the very reverse of the method followed by capitalist enterprises and is the gradual collective appropriation of all means of exchange of goods as well as their production by all consumers in common and the substitution of a joint method in place of the present competitive profit system. Consumer's co-operation is endeavouring to stop the exploitation of the consumer by traders and producers by setting up its own factories for the production of the necessary goods and its own distributive organisation. The real object of the consumers' co-operatives is to undertake production of their own and to become producers and distributors of all goods required by their members. The definition in the Act makes payment of the dividend on purchases obligatory in a consumers' organisation.

A Housing Society as defined in the Act is one formed with the object of providing its members with dwelling houses on conditions to be determined by its bye-laws. This type of society really comes under the category of a consumer society as a dwelling or a house is a capital good as distinguished from consumer good. Building Societies formed with the object of building houses for sale or hire to the public are not included in this group as they will be considered as producers' societies. In the Bombay State two types of housing societies are met with, viz., the co-partnership society and the tenant-owner society. In the former the member has only a share in the common property belonging to the society in its corporate capacity while in the latter though he is technically a tenant he becomes the virtual owner of his house or tenement after making repayment of the loan if any borrowed from the society for the purpose of putting up the tenement or house.

A General Society is one not falling under any one of the classes above mentioned. Societies formed for carrying on propaganda and promoting education and the like are classed under this category.

A Federal Society is one not less than ¾ members of which are societies. A Federal Society is one concerned with supervision or control of societies which are affiliated to it. According to the definition given in the Act it is necessary that at least ¾ of the members should be co-operative societies in order to constitute a federal society in which mixed membership is allowed. Supervising unions, District Boards of Supervising Unions, Federation of Purchase and Sale Societies and Multi-Purpose Societies fall under this category. A federation of consumer societies is given the right of appeal against the decision of a consumer society refusing admission of a person to membership (vide Rule 46).

A Farming Society is one formed with object of promoting development of land and better methods of cultivation by means of improved seeds, manure, irrigation, bunding, tractor, ploughing, gully-plugging and soil conservation. A Farming Society is of two classes, viz., a better farming society and a co-operative farming society. A Farming Society is classed as a better farming society if the predominant object is the application of improved methods of cultivation. A better farming society also includes a crop protection society. Further a farming society is classed as a co-operative farming society if the predominant object is the application of co-operative methods by the holders of lands and in respect of cultivation.

This new Division of societies was added by the Bombay Act XIV of 1949 with a view to promoting farming on a co-operative basis in the Bombay State. As already mentioned farming societies fall into two main categories, viz., better-farming societies and co-operative farming societies. The former would comprise crop protection, fencing and irrigation societies while the latter would consist of joint farming, tenant farming and collective farming societies.

A better farming society helps considerably in improving the methods of farming and the practice of cultivation and enables the farmers to effect economies in transactions relating to supply and sale. The formation of better-farming societies

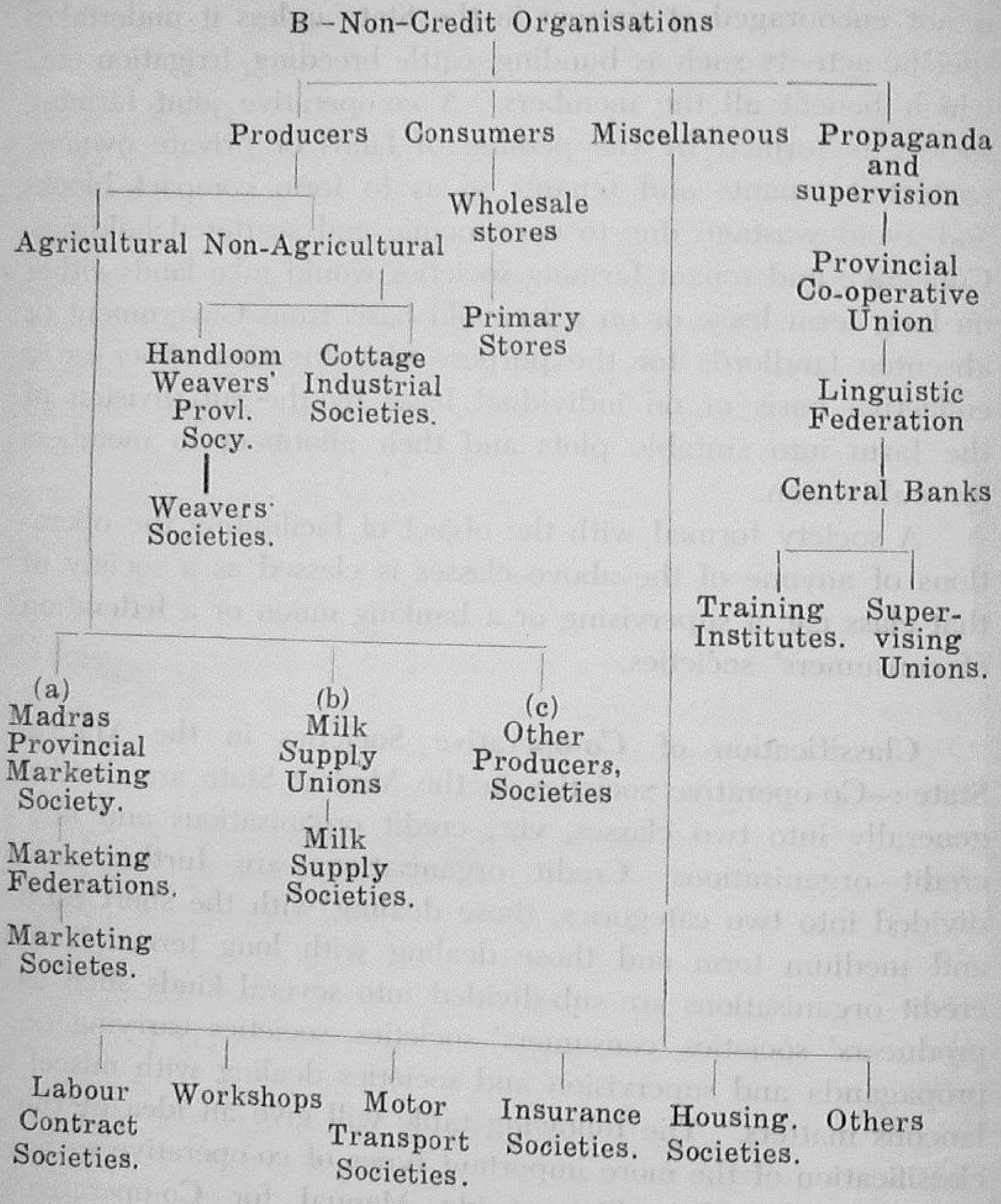
is not encouraged at present in the State unless it undertakes specific activity such as bunding, cattle breeding, irrigation etc., which benefit all the members. A co-operative joint farming society is formed by the pooling of lands of private owners, protected tenants and tenants so as to form compact blocks and avoid wastage due to uneconomic and scattered holdings. Collective and tenant farming societies would take lands either on long term lease or on a freehold basis from Government or absentee landlords for the purpose of cultivation either on a collective basis or on individual basis by the sub-division of the farm into suitable plots and their allotment to members for cultivation.

A society formed with the object of facilitating the operations of anyone of the above classes is classed as a society of that class e.g. a supervising or a banking union or a federation of consumers' societies.

Classification of Co-operative Societies in the Madras State :—Co-operative societies in the Madras State are divided generally into two classes, viz., credit organisations and non-credit organisations. Credit organisations are further sub-divided into two categories, those dealing with the short term and medium term and those dealing with long term. Non-credit organisations are sub-divided into several kinds such as producers' societies, consumers' societies, societies carrying on propaganda and supervision and societies dealing with miscellaneous matters. The following table will give an idea of the classification of the more important types of co-operative societies in the Madras State (vide Manual for Co-operative Societies in Madras, Page 12).

A—Credit Organisations

- (1) Short term and Medium term
  - Madras Provincial Bank
  - Central Banks
  - Primary Societies
    - Rural
    - Urban
- Long term.
  - Madras Central Land Mortgage Bank
  - Primary Land Mortgage Banks.



Classification of societies for the purpose of statistical statements relating to the co-operative movement in India compiled by the Reserve Bank of India :—The sub-committee appointed by the Government of India on the recommendations of the fifteenth conference of Registrars for the purpose of revising the statistical statements relating to co-operative movement recommended the adoption of a new set-up of statistical tables which were approved by the Government of India. The statistics to be presented by the various co-operative departments in India are required to be furnished to the Reserve

Bank and for the purpose of these statistical tables the following definitions of societies have to be taken into consideration: (1) An agricultural society is one in which the majority of the members are agriculturists. (2) Purchase and Sale; A society the main object of which is to purchase for and supply the members any or all of their requirements is called a purchase and sale society. (3) Production and Sale; A society the main object of which is a joint sale of any commodity of members whether such commodity is produced or processed for sale by the society itself or individually by the members. Thus for a producers' society for the purpose of the statistical tables it is enough if the goods are jointly disposed of irrespective of whether such goods are collectively produced or individually by the members while under the provisions of Section 3, Sub-Clause 2, under BCS Act a producers' society is defined as a society formed with the object of producing and disposing of goods as the collective property of its members. Thus under the B.C.S. Act unless the goods are produced by the society is its corporate capacity the society would not be styled as a producer society. (4) Production; The society the main object of which is to help production is called a producers' society. The revised statements presented by the Reserve Bank of India enable a student of co-operation to get a clearer idea of the position of the various branches of the co-operative movement in India and they are decidedly an improvement over the old arrangement. As will be seen from the following statistical tables the principal changes that have been effected may be briefly summarised as under :

The three broad categories, viz., Central including Provincial Organisations, Agricultural Societies and Non-Agricultural Societies are further sub-divided. Separate tables or statements are compiled for credit and non-credit societies under each one of the three categories. Under the Primary Agricultural Non-Credit and Non-Agricultural Non-Credit Societies separate statements for groups such as purchase and sale, production and sale, social service, housing and insurance are included. The operations of the Provincial and Central Non-Credit Societies also make a similar distinction between organisations for

different purposes and each of the groups is further sub-divided into marketing unions, wholesale stores, industrial unions, milk unions and other types of federations. According to the revised statistical statements how the various types of societies would appear is shown below:

Statement No.	Class of Societies
	GENERAL STATEMENT A · (Short term and Medium Credit only)
I	I Central Credit Societies
	(1) Provincial Bank
	(2) Central Banks
	(3) Banking Unions
	GENERAL STATEMENT A-I
II	Central Non-Credit Societies.
	(1) **Provincial**
	(i) Marketing Unions or Federations
	(ii) Whole-Sale Stores and Supply Unions
	(iii) Industrial Unions
	(iv) Milk Unions
	(v) Other types
	GENERAL STATEMENT B
III	Agricultural Credit Society.
	(a) Limited
	(b) Unlimited
	(c) Grain Banks
	GENERAL STATEMENT B-I
IV	Agricultural Non-Credit Societies.
	(i) Purchase and Sale (a) Limited (b) Unlimited
	(ii) Production and sale ,, ,,
	(iii) Production ,, ,,
	(iv) Social Services ,, ,,
	(v) Housing ,, ,,
	(vi) Insurance. ,, ,,

Note: The No. of societies (a) Limited (b) Unlimited under each class to be shown separately.

Statement No.	Class of Societies
	GENERAL STATEMENT B-II
V	Provincial Land Mortgage Banks.
	GENERAL STATEMENT B-III
VI	Primary Land Mortgage Banks.
	GENERAL STATEMENT C
VII	Non-Agricultural Credit Societies. (i) Limited (ii) Unlimited.
	GENERAL STATEMENT C-I
VIII	Non-Agril. Non-Credit Societies. (i) Purchase and Sale (a) Limited (b) Unlimited (ii) Production and sale ,, ,, (iii) Production ,, ,, (iv) Social Services ,, ,, (v) Housing ,, ,, (vi) Insurance. ,, ,,

Note: The No. of societies (a) Ltd. and (b) Unlimited under each class should be shown separately.

Supervising Unions

Statement No.	Class of Societies
	GENERAL STATEMENT D
IX	(i) Supervising Unions. (ii) District Co-operative Boards. (iii) Supervising Union for Urban Banks. (iv) Federations of Purchase and Sale and Multi-purpose Societies.

Statement No.	Class of Societies
	Provincial Unions and Provincial Co-operative Institute
	GENERAL STATEMENT D-1
	GENERAL STATEMENT E
X	Life Insurance Societies
	GENERAL STATEMENT E-II
XI	Fire and General Insurance Societies.
	GENERAL STATEMENT E-I
XII	Motor Insurance Societies.
	GENERAL STATEMENT F
XIII	Societies under Liquidation.
XIV	(i) Central Banks. (ii) Agricultural Societies. (iii) Non-Agricultural Societies.

The following types of societies are included in six classes in Statements B-I and C-I, viz., Agricultural Non-Credit Societies and Non-Agricultural Non-Credit Societies.

I **Purchase and Sale :**

Consumers' Stores.
Students' Stores.
Medical Stores.
Industrial Stores.
Supply of Agricultural requisites, seed, manure, implements and machinery.
Co-operative Canteens.
Miscellaneous.

II **Production and Sale :**

Cotton Sale.

Statement No.	Class of Societies
	Sugarcane.
	Rice and Paddy Sale.
	Sugarcane.
	Sale of other produce.
	Fruit and Vegetable-growers.
	Bee-keeping.
	Weavers.
	Cottage Industries.
	Fishermen.
	Milk supply Societies.
	Dairy.
	Ghee Sale.
	Miscellaneous.
III	**Production :**
	Better Farming
	Consolidation of Holdings.
	Irrigation.
	Land Reclamation.
	Colonisation.
	Fencing.
	Crop Protection.
	Agricultural Demonstration and Improvement.
	Land Improvement.
	Land-Holding.
	Joint-Farming.
	Cattle Breeding.
	Labour.
	Miscellaneous.
IV	**Social Service :**
	Better Living.
	Rural Reconstruction.
	Village Development.
	Agricultural Demonstration and Improvement.

Statement No.	Class of Societies
	Sanitation. Public Health. Medical Relief. Education; (a) Adults (b) Boys and Girls (c) Co-operative Thrift and Savings. Crop Failure and Relief. Miscellaneous.
V	**Housing :** (a) Co-partnership. (b) Tenant-Ownership. (c) Others.
VI	**Insurance :** (a) Life. (b) Cattle. (c) Crop. (d) Third Party Motor risks.

CHAPTER VIII

CO-OPERATIVE PROBLEMS & CONTROVERSIES

Single Purpose Society Vs. Multi-Purpose Society:--The period of eleven years commencing from 1918 to 1929 in the growth of the Co-operative Movement in India may be said to be a period of planless expansion when more emphasis came to be placed on quantity than on quality. No doubt the number of co-operative societies that multiplied during this period was impressive, but they had, however, failed to conform to the co-operative principles in many respects. Thrift and self-help, mutual vigilance and supervision, the proper use of credit which a Raiffeisen type of co-operative society in a village is expected to promote, were lacking, and the primary village credit society had been functioning as a mere loan office, receiving money from a central bank and acting as a conduit pipe to disburse it to the needy borrowers in a village. Even prior to the advent of the economic depression of the 1930's, the ignorance and illiteracy of the generality of members of a village credit society as also their inability to grasp clearly the implications of unlimited liability had brought certain defects in the working of primary societies to the surface. These weaknesses in the working of a co-operative society were –

(1) Indifference of the members of the Managing Committee;
(2) Grant of loans without proper examination as to the period and purpose of loans;
(3) Extreme unpunctuality or laxity in the recovery of loans;
(4) Resort to binami transactions on the part of office-bearers;
(5) Factions in the society.

Thus the position in regard to the working of primary credit societies in villages was already unsatisfactory before the onset of the economic depression and the impact of the

economic depression brought about a crisis in the co-operative movement. The Madras Committee on Co-operation wrote in this context as under:—

"The large number of liquidations in recent years, the increasing number of societies which have not borrowed for years, the marked rise in arrears from members to societies, from societies to financing banks, the increasing number of the arbitration references and decrees, the forced purchases of the lands of members by societies in execution of decrees, the voluntary supersession of the Panchayatdars and the appointment of agents for the management of societies, are all elements of a situation which cannot be viewed with equanimity and which indicate a general lack of vitality on the part of many agricultural credit co-operatives."

A substantial rise in the percentage of overdue loans of members to these societies ranging from 46 per cent. to 92 per cent. indicated that the funds of societies had got frozen and the societies themselves were unable to get fresh finance from their financing banks. Thus even punctual repayers of loans suffered, as the societies were not in a position to grant them adequate amount of loan, thus driving them to borrow from outside sources. Thus many societies were in a sort of suspended animation having ceased to be live organizations. This position of the village credit society called for certain remedial measures to be taken, if it were intended to be utilized as an effective agency for the economic and social betterment of the agriculturist. Thus co-operative societies stood in need of being revitalized, as a living organism, and in the pursuit of this objective it was essential to bring about changes in regard to certain aspects of their working, viz., area of operation, nature of liability to be adopted and enlargement of their functions. In regard to all these matters, there has been a divergence of opinion amongst co-operative workers, and it is proposed to examine the aspect of the working of a primary credit society in regard to the enlargement of its functions, as it had attracted much attention and had been once the subject of controversy among co-operators. There had been a difference of opinion

with regard to whether there should be a single-purpose society or a multi-purpose society.

It was more and more realized that no lasting economic benefits to the agriculturist were possible, unless a comprehensive effort was made for an all-sided improvement of his life. Thus a village credit society should not only supply credit on reasonable terms, but should also assist its members in attainin the triple ideal of "better farming, better business, and better living" by undertaking a number of subsidiary functions. "To illustrate, starting with credit for current needs, a society might get the old debts of its good members liquidated through a land mortgage bank, introduce better business and secure better monetary return by persuading the members to sell their produce through a neighbouring co-operative sale organisation, encourage the growing of improved varieties of crops by purchasing for them improved seeds, save on purchases by arranging for the buying of their domestic needs jointly and at profitable rates on indent basis without incurring any liability therefor, save litigation expenses by persuading the members to reconcile their differences by arbitration, improve the outturn of crops by resorting to the consolidation of holdings and by the supply of improved seeds and implements, supplement the income of its members by persuading them to adopt measures which would curtail ceremonal expenditure and remove insanitary habits, etc. Thus, in short, the society is intended to be an influence and a centre for the all-sided development of the agriculturist and betterment of his life. This would not be possible unless the whole life of the agriculturist were brought within the purview of the revitalised and reformed village credit society. It must not, however, be assumed that a village credit society should adopt all these measures simultaneously and all at once, but what is necessary is that a steady expansion in the scope of their activity should be brought about according as they gain in experience. Nor is it the idea that a village credit society should undertake any business which would expose it to unusual risk or danger. Establishment of separate societies for different objects such as consolidation of holding, irrigation, land colonization, etc.,

is also not ruled out." Such views in regard to the reorganization of a village credit society were advocated by the Agricultural Credit Department of the Reserve Bank of India and were also endorsed by the Madras Committee on Co-operation. They have also received support in the Joint Reorganization Committee's Report in Bombay (Mehta-Bhansali Report). These views led to much controversy at the time, but a healthy result was that an enquiry was undertaken by co-operators into the very foundations of the co-operative movement.

Arguments in favour of Single-Purpose Society :—The advocates of a single-purpose society argued as under :—(1) even if it is desired that the whole life of the farmer be brought within the ambit of a village credit society, the objective can best be achieved by having a separate society for each distinct purpose. The example of Denmark can be quoted in this respect. It is usual to find a farmer in Denmark to be a member of three or more societies simultaneously, which give distinct services, e.g., one for credit, another for sale and a third for promotion of cottage industries. A village society should have a simple organization because it assumes unlimited liability and it should not go on adding to its dangers or risks by undertaking multifarious activities.

(2) The scope and nature of operations of a multi-purpose society being complex, there is every possibility of the control of its affairs falling into the hands of one or few intelligent ambitious individuals, and thus the object of the society would be defeated and its educative value lost.

(3) It is likely also that the accounts relating to its varied activities would get mixed up and thus conceal the true position in regard to any one type of activity, and there is the danger that failure in one type might entail the winding up of other useful activities undertaken by the society. A minor point that is made against the multi-purpose society is that the society would be troubled by frequent visits of several officers of Government departments, because the society undertakes different lines of work.

Arguments in favour of Multi-Purpose Society :— the arguments put forward above, it may be pointed out that the multi-purpose idea has grown apace and has caught the imagination of all serious thinkers in the co-operative world. The very fact that multi-purpose societies have been established in large numbers points to its utility and want-satisfying capacity. The advocates of Multi-purpose Society argued as under :—

(1) It is all right for the farmer in Denmark to be a member of three or more societies, but the conditions of village life in India are different and an agriculturist in India is accustomed to deal with only one agency for all his needs, i. e., a village sowcar-cum-trader. He is too illiterate to join and take an active part in the management of different co-operative societies. Looking to the sort of personnel available in an Indian village, the same persons would have to be availed of to manage the affairs of separate and distinct societies, and this would naturally result in the diffusion of energy and waste of effort. Except increasing the number of co-operative societies, the establishment of societies for different purposes, instead of only one, would offer no solution of the problem. If sufficient safeguards such as maintenance of separate accounts to record separate activities, adoption of limited liability, appointment of separate committees for different functions or activities were adopted, the apprehension that accounts would get mixed up and failure of one type of activity would lead to the downfall of the society itself, would disappear. In the light of the present day requirements, "one purpose, one society" is not suited to the conditions obtaining at present in India. Hence in every State, attempts are being made to broadbase the ordinary thrift and credit society.

(2) The financial stability of a multi-purpose society will be increased on account of the increase in the income of its members and consequent rise in the repaying capacity of members regarding loans taken from the society.

(3) The reorganised society in respect of its functions or the multi-purpose society would provide a variety of services

is also not attract people who are at present outside the pale of tion of operative movement. If a village credit society is to tural scope for all sections of the community, each of which has distinct need of its own, the society would have to undertake activities suited to the needs of all, thus making room both for big landlords and poor farmers and artisans to join the society. The richer agriculturists or the landlords would like to utilise the services of the society in order to sell their produce jointly and to make joint purchases of their domestic needs and agricultural requisites, while the poor farmers or artisans would avail themselves of the credit facilities afforded by the society, and in this way members of different sections can combine in the same society for mutual advantage and benefit.

(4) Because of aloofness of the more well-to-do class of agriculturists, village credit societies have become associations of partially solvent borrowers, and hence they are unable to command much credit. If every solvent agriculturist in a village could be persuaded to join the society voluntarily because of a variety of services afforded by it, outside borrowings of village credit societies would be greatly reduced, and the more well-to-do members would help the society by making deposits with it. Thus the financial stability of societies would be secured by attracting all solvent people who would appreciate other services than credit rendered by society and required by such solvent people.

(5) A village credit society providing a number of services is apt to be in more constant touch with its members than a mere credit society which supplies credit to its members, when they need it. Such continuous touch or contact with the society goes a great way in creating in members a lively interest in the working of the society. The Reserve Bank has rightly pointed out that a rural credit society should never lose touch with its members who should often come to it for something or the other throughout the year. Absence of such contact in the past has led to apathy, indifference, defaults and disloyalty, with the result that a village credit society has degenerated into a loan office.

(6) As regards the objection raised againsтcapacity in purpose society, because it leads to too frequent ties.' Government officials, leading to the harassment of the so it may be stated that the objection need not be taken seriou at all. The visits of Government officials are intended primarily in the interest of societies themselves and further, closer co-operation of different departments is also secured by such visits, provided care is taken to see that too much stress on different points of view is avoided.

It should be remembered that there is nothing revolutionary or uncommon in a village credit society undertaking a few subsidiary activities. According to the opinion of C. R. Fay, the integration of provision of credit with supply and sale has been forced upon the agricultural credit movement in Europe and the New World (America). Enlargement of the functions of a village credit society is an essential line of development of the credit movement and that is why it has been already implemented in most of the States and State Unions in India. The only note of caution that can be registered is that it should be carefully seen whether proper personnel is forthcoming to run the multi-purpose society before steps are taken to register it, that enthusiasm of the promoters does not outrun or outstrip the ability to control different lines of work. Multi-purpose societies have during recent years sprung up in great numbers all over the country. The subjoined table shows the comparative statistics relating to the progress made by these societies for the country as a whole at the end of each of the two years, 1949-50 and 1953-54.

Particulars	Multi-purpose Societies.	1949-50	Amounts in Lakhs. 1953-54
No. of societies.		29,525	48,559
Membership.		15,07,801	24,79.971
Deposits:	(a) Members	,85.23	126.45
	(b) Non-members	32.34	73.13
Working Capital		755.48	169.18

is also not ·d to members tion of · the year.	400.44	873.25
turals recovered during · the year.	317.60	403.46
Loans outstanding at the close of the year.	369.09	981.34
Overdues.	62.43	207.57
Purchase of goods.	1397.48	816.60
Sale of Goods.	1386.42	1087.79

Multi-Purpose Societies in the Bombay State :—In the Bombay State, a village credit society undertaking a number of subsidiary functions is known as a village multi-purpose society, and it adopts unlimited liability; while a society which caters to the needs of neighbouring villages within a radius of five miles from a central village and undertakes subsidiary activities is known as a group multi-purpose society, or a multi-purpose society and it usually adopts limited liability. The Credit Reorganization Committee in the Bombay State otherwise known as the Nanavaty Committee appointed by the Government of Bombay, while considering the question of reorganization of the co-operative credit structure in the State write as under:—"We understand that in this Province many agricultural credit and agricultural credit and thrift societies have adopted by-laws for undertaking additional activities like the sale of members' produce and supply of their wants. As a consequence of this, many of the so-called organisations have been performing non-credit functions, particularly distribution of controlled and rationed articles, like food-grains, sugar kerosene, cloth, groundnut cake, etc. We hardly think it appropriate to call these organisations as credit societies and recommend that steps should be taken to designate them as 'multi-purpose societies'. As regards the future, the normal policy should be to organise multi-purpose societies only and to convert the existing village credit societies into multi-purpose societies preferably on the same liability. Such societies should satisfy the normal cultivation needs of their members as well as supply credit for agricultural needs. They should also serve as agen-

cies for supply and sale and as they develop their capacity in course of time, they should also act as consumers' societies.'

These recommendations of the Nanavaty Committee have been accepted by the Bombay State and the process of converting the existing thrift and credit societies into multi-purpose societies is in operation in the State and fresh registrations are confined mostly to multi-purpose societies.

The following table indicates the progress made by the multi-purpose societies in the Bombay State, at the close of each of the two years, viz., 1953 and 1954.

(Amounts in lakhs.)

Particulars		1952-53	1953-54
No. of Societies ..		3,665	4,212
No. of Villages covered by these societies ..		15,200	15,847
No. of members ..		3,90,831	4,52,516
Paid-up share capital ..	Rs.	161.30	196.81
Reserve and other Funds ..	Rs.	115.64	135.81
Deposits: (a) Members ..	Rs.	42.83	48.06
(b) Non-members ..	Rs.	35.54	35.20
Loans from Central Banks ..	Rs.	264.66	303.52
Working Capital ..	Rs.	628.74	739.83
Loan operations:			
(a) Crop Loans ..	Rs.	181.65	205.33
(b) Produce pledge loans ..	Rs.	64.52	64.07
(c) Intermediate-term loans ..	Rs.	37.15	35.49
(d) Loans for Domestic and Industrial Requirements ..	Rs.	96.91	164.19
Total Loans outstandings ..	Rs.	380.23	469.08
Overdues ..	Rs.	93.14	111.21
Value of agricultural, domestic and and other requirements handled. ..	Rs.	674.60	400.27
Commission earned. ..	Rs.	4.18	2.29

The position in regard to Multi-Purpose Societies in Madras State :—The number of societies separately registered as multi-purpose societies in Madras is very limited, as rural credit societies only undertake extra activities of one variety or another. There were at the close of the co-operative year 1952, 16,727 societies. Of this number, nearly 80 per cent. of the societies undertook multi-purpose activities. It is reported that they did business to the extent of 204.6 lakhs in controlled commodities, agricultural implements, mill cloth, etc. They also distributed seeds, chemical manures, iron and steel and helped food production by getting fallow lands on lease for cultivation and by encouraging the manufacture of compost. At the end of 1954-55 there were 10,480 agricultural Credit Societies in the state and smaller societies are now being converted into larger sized Credit Societies undertaking multi-purpose activities.

The multi-purpose societies in rural areas have come to be regarded as the most suitable agency and their formation has been recommended by the Economic Programme Committee of the All India Congress Committee. The recent Election Manifesto of the Socialist Party in India similarly lays stress on starting multi-purpose societies in rural areas as an effective agency for bringing about the economic regeneration of rural masses. Thus it will be seen that there is no longer any controversy regarding the translation of the multi-purpose idea into actual practice, nor in regard to establishment of multi-purpose societies. Thus the controversy centring round single-purpose vs. multi-purpose society has lost much of its practical importance and it is now purely of academic interest to students reading in schools and colleges.

CHAPTER IX

CO-OPERATIVE PROBLEMS AND CONTROVERSIES

UNLIMITED LIABILITY Vs. LIMITED LIABILITY OF AGRICULTURAL CREDIT SOCIETIES

(I) Historical evolution of the Law of Liability in England and India :—Except the Chartered and Public Companies incorporated by a special Act of Parliament, the members or shareholders of which enjoyed freedom from personal liability, members of associations formed for trade or business in England had to assume personal liability for the debts or obligations of such associations. It was a French law that first introduced the principle of limited liability in the case of ordinary jointstock companies. The English Limited Liability Act of 1856 introduced it for the first time but it excluded banking and insurance companies from its operation and the first Indian Companies Act of 1857 was almost literally copied from it. Banking companies in England were allowed limited liability in 1859 and in India in 1860 by the Joint Stock Banks' Act. Limited liability was permitted in the case of co-operative societies in England by the Industrial and Provident Societies Act, 1862. The Act of 1889 permitted the adoption of limited liability by co-operative societies in Germany. Thus for a long time, the principle of limited liability had not been recognised and the earlier societies experienced considerable difficulties, though they stood in need of limited liability. This circumstance explains as to why even—Schulze—delitzsche Banks (which are Urban Banks) had to adopt unlimited liability compulsorily and it was only after 1889 they were free to adopt limited liability. The National Convention of these societies adopted a Resolution in the year 1894 in favour of limited liability. Persons joining associations with limited liability had further to subject themselves to certain restrictions embodied in the Company Law of the Land. Thus it will be seen that limited liability is a privilege of modern times to be enjoyed subject to certain conditions or restrictions.

In England, Co-operative Stores and Producers' Societies registered under the Industrial and Provident Societies Act and Building Societies under the Building Societies Act are registered *ipso facto* with limited liability; while the Friendly Societies registered under the Friendly Societies Act might adopt either limited or unlimited liability, the main flaw in the Act being that societies registered under it are not recognised as bodies corporate. The system known as unlimited liability obtaining in Germany is such as to scare away the well-to-do farmers because a creditor may sue any member of a society with unlimited liability for his debt and recover from him the same and leave him to recover from the other members. In England, where the Friendly Societies adopt unlimited liability, the difficulty is sought to be removed by appointing trustees who control the association, enter into legal contracts and become the defendants in any suit.

(II) **Forms of Liability** :–(A) Limited liability is of two types : (1) liability limited by shares and (2) liability limited by guarantee. In the former case the liability is limited to the amount, if any, unpaid on the shares held by a member, while in the latter case, the liability of each member is limited to such amount as he undertakes to contribute to the assets of the society in the event of its winding up. A third form is known as 'Proportionate Liability', which combines both the types mentioned above and in which case the guarantee is fixed as a multiple of the share value. There is nothing which prohibits societies in India registered with limited liability from adopting proportionate liability also.

(B) **Unlimited Liability** :–In India Co-operative Legislations permit societies to be bodies corporate and it is the society in its corporate capacity–an artificial person created by law with a perpetual succession and a common seal–that enters into contracts and not the members personally. The unlimited liability of the members is what is termed 'Unlimited Contributory Liability', that is to say, the members are liable to make contribution to any deficiency in the assets on winding up. In this connection, the Maclagan Committee wrote as under:–

"With a few isolated exceptions all the primary agricultural credit societies in India are societies with unlimited liability. The law does not specify definitely the character of the liability, nor have we any data before us to show the interpretation put upon it by the Courts. No difficulties have hitherto arisen in connection with the enforcement of this liability, but should it hereafter be found necessary to define it more clearly, we should suggest that it should take the form of 'contributory unlimited liability', that is to say that, where there is a deficit in the engagements of a society to its creditors, this deficit should, after the full payment of shares (if any) be recoverable by a series of per capita levies upon the members up to the full extent of their property, direct proceedings by a creditor against individual members being forbidden. Hitherto it has been generally understood that the unlimited liability of a society is intended to imply the liability of the whole of the property of the members of a society for the debts due by the society. Some of the less well-informed members are under the impression that it entails the liability of the whole of the property of each member of a society for the debts due by the other members to the society, but the practical difference between the two aspects of the liability is perhaps less than might at first sight appear, and in any case the members of societies when they think of the liability at all appear ordinarily to think of it merely as unlimited and to accept it willingly as such. We have not found that the adoption of this form of liability, where the safeguards against loss are properly understood, has any effect in keeping out the richer peasants, nor have we met with any demand for the substitution of a limited responsibility. The unlimited liability is not understood to involve any obligation against the alienation of property by members, and although the material basis for the liability is thus rendered somewhat fluctuating and indefinite, we do not consider that an arrangement which would in effect impose a definite charge on all their existing property would be either practicable or desirable. The unlimited form of liability, as it now stands has, contrary to the anticipations of many, been unreservedly accepted by the people, and we have evidence before us to show that it constitutes an important factor in the confidence

reposed in societies both by the central institutions inside the movement, and by the Joint-Stock Banks outside it. We see every reason, therefore, for adhering to the principle that agricultural credit societies should be societies of unlimited liability, whether they are with or without shares. In either case the ultimate liability of all the members is in the last resort unlimited, and the advantage of share capital is that, if in case of liquidation the share capital is sufficient to meet any deficit that may be found to exist, there is no need of any further levy to meet the liabilities of the society." (Maclagan Committee's Report).

This excerpt shows that the Committee itself was not clear about the stage at which unlimited liability could be enforced. This was however, made clear in the year 1931 by a Full Bench decision of the Patna High Court, which stated that it was merely a contributory liability and could not be enforced against the society as a corporate body. In the case of a society with unlimited liability every member of it is personally liable to pay the debts of the society to the full extent of his property or assets. This liability is joint and several. The debts or the liabilities of the society to its creditors would ordinarily be paid out of its assets. It is only when these assets prove insufficient the question of personal liability of a member comes in, but it may be noted that even then the creditors cannot sue the members in their individual capacity. When a society is unable to pay its debts, the course for the creditors is to move the Registrar for an enquiry into or inspection of its affairs and if that officer is satisfied about its insolvent condition, he orders its winding up and a liquidator is appointed. The liquidator registers all the claims of the creditors of the society collects all its assets and if the latter are found to be insufficient to meet the claims, he proceeds to collect further amounts from the members *pro rata*, that is to say, from all the members in equal proportion. If, however, any of the members so called upon to contribute are unable to make the contribution, the liquidator would then proceed to recover the balance from the remaining members.

(III) Why this form of liability is suited to agricultural credit societies formed on Raiffeisen model? In a poor community of people like the agriculturists in India, unlimited liability has been found to carry with it certain advantages which are of great importance in a co-operative society formed of such people. In the first place, it is the cheapest form and it is the only security that can be developed among poor people and on which working capital can be raised. It creates confidence among outside investors, secures circumspection on the part of the management in the lending out of the societies' money to borrowers and also secures some assurance that the money will be utilised for the purpose for which it is granted. Unlimited liability has an educative and moral value and reinforces the basic principle of 'Each for all and all for each.' It fosters mutual trust, mutual watchfulness and mutual supervision over each other's dealings in a society.

(IV) Safeguards against risks of Unlimited Liability :— Unlimited liability in a society is protected by the points mentioned below :—

(1) Careful selection and formal admission of persons to membership.

(2) Right to withdraw from membership in certain circumstances.

(3) Continuance of the liability of past members for the debts of a society for a specified period.

(4) Restrictions on the transfer of shares and provision for transfer to or only through the society.

(5) Right to expel any one whose liability is worthless.

(6) Maintenance of an uptodate list of members who are liable.

(7) Maintenance of correct accounts and getting them audited periodically and the right to see the accounts granted to all the members.

(8) Insistence on the sanction of amendments to bye-laws by a considerable majority of members with a view to prevent alteration of liability.

(9) Power to settle in general meetings the maximum liability members are prepared to undertake.

(10) Full powers reserved to members in general meetings in regard to employment of funds.

(11) The building up of an indivisible reserve fund to meet the liability.

(12) Limitation of dividend on shares so as to leave more for reserve.

(13) The right of members to secure an independent inspection of the accounts.

(14) The right to bring about the liquidation of the society in order to close the liability of members.

(15) Ineligibility of minors and women to become members of the society.

In a co-operative credit society formed on the Raiffeisen pattern, there are further safeguards in that the loans are put to productive purposes and are granted by insisting on personal sureties and punctuality of repayment. The management has power to supervise the use to which loans are put and call in if the money is misapplied. Finally, the building up of an indivisible reserve fund even in the event of dissolution of a society adds financial strength to it and .acts as a bulwark against unlimited liability.

(V) **Unlimited Vs. Limited Liability** :—For some reason or the other there has been going on a controversy over the form of liability that a reorganised village co-operative credit society should adopt and co-operative opinion is divided on the question. The undoubted advantages of having unlimited liability in small rural credit societies are so apparent that it is regarded by some as a fundamental principle of village co-operative credit organization, while there are others who hold that it is a stumbling-block to the progress of the co-operative credit movement in rural parts. The principle of unlimited liability was first embodied in the Co-operative Credit Societies Act, X of 1904, as it was the basic principle of co-operative credit organisation in rural areas in Germany from which the

Indian model was copied. It was later incorporated into the Co-operative Societies Act, II of 1912, and in the Provincial Co-operative Acts which replaced the All India Act. The question whether unlimited liability should be retained or replaced by limited liability in a co-operative village credit society was discussed threadbare by the Vijayaraghavachariar Committee in Madras and the majority of the Committee came to the conclusion that limited liability should be the rule and unlimited liability the exception. The arguments against the retention of unlimited liability put forward by them are:—

Firstly, Unlimited liability is a principle which the majority of ryots in India can scarcely understand.

When the majority of members of a co-operative credit society fail to understand its implications, unlimited liability becomes a danger or a snare.

Secondly, as a result of the economic depression of the 1930's, a large number of Societies went into liquidation and the enforcement of the unlimited liability to make up the deficits in assets of societies to pay off their creditors caused hardship to members who were either non-borrowers, or non-defaulters and the whole movement was brought into disrepute.

Thirdly, Unlimited liability has kept away the better class of agriculturists whose sympathies and material help would have contributed to the efficient management of societies.

Fourthly, though unlimited liability implies that every member is liable to the creditors of the society, to the extent of his property, in the event of its winding up, it does not bar the right of a member to alienate his property during the continuance of his membership and thus the practical utility of unlimited liability is open to doubt. It is easy for the dishonest and cleverer members to evade successfully the enforcement of unlimited liability by alienating all their property before such enforcement. Besides, unlimited liability is only a con-

tributory liability enforceable against the members in the event of a society being wound up.

Fifthly, unlimited liability is based on the assumption that members of a village co-operative credit society possess mutual knowledge of each other's affairs and exercise mutual supervision and control over their fellow-members in matters relating to their borrowings and punctual repayment of loans. But these assumptions of village life have not been fulfilled in most cases in actual practice.

Sixthly, unlimited liability is essential when credit is granted on the security of personal character. But loans in co-operative credit societies in rural areas have generally been made during recent years to rest more and more upon material security in the shape of crops, immoveable property, etc. Thus unlimited liability has not been very helpful to the progress of co-operative credit organisation in a village as one would expect.

Seventhly, it is efficient management rather than unlimited liability that induces confidence among financing banks and depositors.

As against these arguments the minority of the Committee favoured the retention of unlimited liability on the following grounds :—

Firstly, unlimited liability is essentially a co-operative principle as it reinforces the basic principle of each for all and all for each. The risks implicit in the adoption of unlimited liability are greatly reduced or minimised by introducing safeguards already set forth.

Secondly, with a changeover from unlimited to limited liability there is the danger of unhealthy centralisation of co-operative finance and that village co-operative credit societies might degenerate into mere agents of central financing agencies. The managing committees would cease to examine loan

applications carefully, the matter being left entirely to the financing banks.

Thirdly, a sudden change of liability is likely to shake the confidence of the investing public and inflow of money into the movement would thus be checked.

Fourthly, unlimited liability has been in vogue and the risks implicit in it are greatly reduced because of the many safeguards existing in the village credit society. Very few instances are on the whole on record, where it is enforced and while enforcing it also, its rigidity is softened by administrative measures adopted by the Co-operative Departments. The amount received in enforcement of unlimited liability against members is not high in relation to the amounts written off in societies in liquidation or liabilities to be paid off.

Fifthly, by giving up the principle of unlimited liability, men of small means, tenant-farmers, agricultural labourers and others of a similar economic status would be left out of the movement and the emphasis on character would be neglected.

Sixthly, if solvent and well-to-do people have remained aloof, it is because of bad management of societies rather than of unlimited liability of a society.

Seventhly, the Officer in charge of the Agricultural Credit Department of the Reserve Bank of India, while giving evidence before the Committee, stated :—

We feel that unlimited liability is a matter of necessity and not a matter of choice, and if funds are to be attracted at cheap rates, there seems to be no escape from this form of liability."

Though these arguments are strong in theory, very few of the advantages claimed for unlimited liability have been realis- ed in practice. In fact, unlimited liability has led to a certain amount of demoralisation among societies and to overfinancing

by central financing agencies. Since corporate life and co-operative effort are weak in the village life of today, mere adoption of unlimited liability by the co-operative credit organisation in a village is not likely to work wonders. After all, the nature of liability is not the real test of co-operation and almost all urban credit co-operatives have been working with limited liability and their co-operative character has not been questioned. Recent world co-operative opinion is also in favour of abolition of the principle of joint and several liability and what is found to be most essential for the success of co-operation is good organisation, sound economic purpose rather than the most complete form of liability of members. The Thirteenth Conference of Registrars held in the year 1939 passed a resolution to the effect that agricultural co-operative credit societies should ordinarily continue their unlimited liability but scope should be given for experiments with limited liability. According to provisions of co-operative law in force at present in Madras and Bombay States, a society which has as its object the promotion of economic interests of its members in accordance with the co-operative principles may be registered with or without limited liability.

CHAPTER X

CO-OPERATIVE PROBLEMS AND CONTROVER[SIES]

Corporation Finance Vs. Co-operative Finance :—The question of finance for Agriculture was recently examined by the Sub-Committee of the Policy Committee on Agriculture, Forestry and Fisheries of the Reconstruction Committee of Council under Prof. Gadgil, who after outlining the steps to be taken for the introduction of a sound system of agricultural credit in rural areas, has made certain recommendations in regard to the setting up of the future structure of agricultural credit. In paragraph 12 of Chapter V of the Report, the Committee has recommended that State-aid should be given on a much larger scale than has been attempted hitherto for the purpose of strengthening rural credit. With this objective in view the establishment of an Agricultural Credit Corporation in each State has been recommended after preparing a detailed scheme for it, to which the State should provide a part of the working capital and expenses of administration. A further proposal has been made to the effect that" In a province in which Government feels that the co-operative financing agencies are so strong and have such wide scope that they could undertake all the work which we have, indicated as in the sphere of the Agricultural Credit Corporation there would be no objection if a separate Corporation is not set up, provided that means were found for making finance through co-operatives available to all creditworthy borrowers." The Commitee has further explained as to why it has made the above recommendations in the following words: "We have seen that the most important desideratum of the immediate future is affording to all agriculturist-producers a credit agency which could serve as an alternative to the private money-lender. Private institutional credit is most undeveloped in India and little can be expected from this source. It is also not possible for the co-operative movement to supply the need. There are serious objections to extending the scope of State loans and undertaking all finance direct through a Department of State. It follows that the alternative agency of credit must be an auto-

by central fi- ...ic corporation established by the State and opera-
operative ...r general official supervision and direction, but whose
adoptio... ...ay working and normal business transactions are
orgar... all...ly conducted on an independent basis."

The Committee recommends the organization of a Provincial Credit Organization in each province or State which is to function throughout the State through a network of local agencies and sub-agencies. At least half of its capital is recommended to be provided by the State Government and the balance held by selected credit institutions like the Joint-stock Banks or Co-operative Banks and marketing organizations. The conduct of its affairs is to be entrusted to Executive officers appointed for a term of years by the State Government, while its policy will be formulated by a Board consisting chiefly of the nominees of Government and representatives of other shareholders. The Committee further proposes that the policy of such a corporation should be so framed that the share capital should not in the initial stages earn dividend as it believes that the industrial and commercial banks would not only not oppose such a move but would on the contrary lend a helping hand in providing agricultural finance. According to the recommendations of the Committee, the Corporation is to function through agencies and sub-agencies and this will mean the appointment of a very large staff for its day-to-day working. The Committee further proposes that the Corporation should deal with individual borrowers, although the ideal to be aimed at is to lend through co-operative societies or in the alternative, to organise the individual borrowers into borrowers' groups. This recommendation of the Committee implies to a large extent the disappearance of central financing agencies in the nature of district central co-operative banks. The Committee further proposes that the Corporation should lend at 6¼% for current finance and at 4% for long-term finance. For this purpose it recommends large-scale State assistance to enable the Corporation to do so. Such assistance may, in the opinion of the committee partly be direct and partly indirect, and may also take various forms. To summarise, the recommendations of the Committee are :—

(1) An Agricultural Credit Corporation should be established in each State under general official supervision and direction except in those areas where the co-operative agency is financially strong and has a large field of activity, so as to undertake all the functions of the Corporation.

(2) The Corporation so set up should provide types of agricultural credit. Its method of doing business should be similar to that of any other institutional agency like a co-operative bank. In making finance available to the borrower, it should take into account the real assets owned by him as well as the nature of his business.

(3) The Corporation should deal with the more substantial cultivators directly. The smaller agriculturists should be persuaded to organise themselves into co-operative societies and, where this is not possible, into borrowers' groups.

(4) The Corporation may finance co-operative organizations in two cases, viz., (1) where appropriate co-operative banking institutions do not exist, (ii) where, even if they exist, they do not have sufficient funds or financial resources, care being taken to see that finance is made available through the apex co-operative banks only.

(5) In areas where agriculture is carried on on efficient lines the Committee recommends that the rates of interest on funds made available for current and intermediate-term loans, should be reasonably low, and lower still for development finance. The Corporation should, therefore, provide short-term finance at 6¼% per annum and long-term finance at 4%. These are the maximum rates of interest recommended to be charged on loans.

(6) In order to enable the Corporation to make advances of loans at the above rates, a certain amount of financial assistance would be necessary. One of the forms such aid would take would be relief from interest payable on capital provided to the Corporation by the State and commercial and industrial banks.

(7) In financing co-operative societies or borrowers in less developed tracts, the Corporation may require more substantial help from the State, as the risks implicit in financing such areas and the cost of collection of loans and administration expenses would be pretty large. Thus the Committee recommends that the State may allow free use of State funds or may directly subsidise the cost of administration of the Corporation or supervision of its affairs.

The Committee is conscious of the fact that the expansion of the Co-operative Movement alone on right lines would provide the best and the lasting solution of the problem of agricultural credit and the problem of rural economy in general, but it is pessimistic about its future progress, when it says: "The present position leaves little room for the hope that it can play a substantial part in financing agriculture much less to become the sole supplier of rural finance in the immediate future." These proposals of the Gadgil Committee were examined by the All India Co-operative Planning Committee and it did not favour the starting of a separate organization for providing agricultural credit to creditworthy agriculturists. The Committee in this connection writes: "We are of opinion that not only in some provinces where the co-operative movement has attained a high degree of development but also in other provinces and States, the Provincial Co-operative Bank or other central co-operative financing organization can provide the agriculturist with all the facilities which are to be given by the Agricultural Credit Corporation. The same measure and type of aids as those recommended to be given to the Agricultural Credit Corporation should be given to the Provincial Co-operative Bank and there would be then no need to start a separate organization for this purpose. Our reasons for this opinion are as follows :—

(1) In the first place, much time may be lost in preparing a scheme for the new Agricultural Credit Corporation, in passing the necessary legislation and in setting up the necessary organization required. On the other hand, the Provincial Co-operative Banks and other central financing organizations that

are already in existence can, if necessary, be similarly reconstituted to shoulder the additional burdens to be imposed on them. In the second place, since the Agricultural Credit Corporation is intended to deal with the agriculturist through the medium of co-operative organizations, a Provincial Co-operative Bank which has already acquired experience in dealing with these societies would be more suited for the task. Thirdly, the anxiety of the Gadgil Committee in providing a large number of agriculturists with institutional credit as an alternative to moneylenders' credit will be met, if the Provincial Governments adopted the targets fixed by the All India Co-operative Planning Committee for the increase in the number of societies and the recommendations made by it for the enlargement of their functions. Thus the bulk of creditworthy agriculturists would be brought into rural co-operative credit societies. Lastly, an Agricultural Credit Corporation having no representation of those in need of credit on its management is apt to be dominated by lenders."

Thus the All India Co-operative Planning Committee did not endorse the basic recommendation of the Gadgil Committee, viz., the starting of the Agricultural Credit Corporation, for the reasons mentioned above, but it must be noted that the Gadgil Committee's report is in great detail and thoroughly analyses the problem of agricultural finance. The committee has further given its reasons in support of its basic recommendation, viz., the starting of the Corporation. If the recommendation of the Committee is to be turned down, the two members of the All India Co-operative Planning Committee Shri S. A. Hasan, I.C.S., and Shri. M. R. Bhide, I.C.S.—felt that full reasons should be given as to why the recommendations of the Gadgil Committee could not be accepted. Thus they have appended to the Report a detailed note, explaining their reasons for turning down the proposals of the Gadgil Committee. The objections to the setting up of an Agricultural Credit Corporation as a substitute agency for the system of co-operative credit are, according to them, as follows :—

In the first place, the Corporation proposed by the Gadgil Committee is modelled on the lines of Credit Agricole in Egypt because conditions there approximate to those obtaining in India. The Agricultural Credit Bank in Egypt provides finance through its Branches which obtain the help of the local village officials for appraisal and valuation of the security. The Egyptian system suffers from lack of proper supervision over the utilization of loans and has not, therefore, resulted in any marked development of agriculture. Judging purely from a financial point of view, advances will not be safe if there is no supervision over the use to which the loans are put. That system of agricultural credit can be regarded as safe which leads to agricultural development and avoids the mistakes committed by Egypt.

In the second place, agricultural holdings in this country are small and the size of individual loans would, therefore, be necessarily small, and the number of borrowers is considerably large. A paid agency that would be able to scrutinise thousands of such loan applications and to supervise the utilisation of the loans must have to be necessarily very large and consequently, the expenses of this agency are bound to be very high. In France, e. g. such expenses are reported to have reached the tremendous proportion of 10.12% of the capital layout. It is apprehended, therefore, that in India also the expense ratio would be equally high, if not higher. This consideration alone rules out the choice of any alternative agency for agricultural finance.

Thirdly, an agency which owes allegiance to a body that is far away and which is not locally controlled suffers from the defect of departmentalism and it soon gets into a rut, and moves only along the set groove. As it is impervious to new ideas, it cannot also adapt itself to changing conditions. Again, it is far removed from the people whom it seeks to serve. The local official employed by the Corporation, not being locally controlled, degenerates in course of time into a local 'Hakim. It is under such a system that corruption becomes rampant and the tyranny of the petty official prospers. The system is a little

different from tagavi loans granted by the State, and suffers from inordinate delays in the grant of loans and from the malpractices of the lower officials.

Fourthly, the Credit Corporation would only lend to creditworthy persons and this means that its choice would be confined to persons with tangible security, and persons without such security would get no help from it. Co-operative societies also in rural areas do take into consideration the assets of the borrower, but that is not always the most important factor considered by them. It is not the assets of the man but his character and earning capacity which guide the society in dealing with his loan application.

Fifthly, direct lending by the Credit Corporation to individual borrowers will result in serious damage to the existing co-operative societies. The proposed Corporation is expected to function side by side with co-operative credit societies as an alternative agency. The Corporation would be able to lend for current finance at the rate of 6¼% which the co-operative credit societies would not be able to do because the former is in receipt of large-scale assistance by the State. Thus the Credit Corporation would attract all creditworthy borrowers who will either not join societies or if they are already members would leave them, with the result that the co-operative credit societies would be almost left entirely with non-creditworthy borrowers. This would mean that the co-operative movement will have to be sooner or later wound up. But the Gadgil Committee does not, however, intend that the alternative agency proposed by it should take the place of co-operative agency on the ground of its failure to tackle the problem of agricultural finance on comprehensive lines. It simply proposes a substitute agency in rural areas at a large financial cost to the State, but the net effect of the proposals of the Committee would be to destroy the co-operative movement over which the State Governments at present have been expending monies and energies to foster it.

Sixthly, the All India Co-operative Planning Committee has also suggested that large-scale assistance should be made

available to the co-operative movement as well at all stages and thus if the recommendations of both the Gadgil Committee and the Co-operative Planning Committee are accepted by the Government, it would mean that the State will be financing on a large scale two agencies which would, in practice, compete with each other and will certainly not supplement each other, to any large extent. It is, therefore, idle to expect the State to finance the Credit Corporation, knowing full well that it would seriously affect the growth of the co-operative movement.

Seventhly, the operation of two agencies side by side is also likely to encourage duplication in borrowing by the agriculturist, once from the co-operative society and again from the Corporation. Past experience has shown that people have joined societies for the purpose of borrowing from them and have also borrowed from the village moneylender. It has been difficult to prevent such borrowing in the past from two agencies and exactly the same would happen again if a third agency, as proposed by the Gadgil Committee, comes on the scene.

Eighthly, the All India Co-operative Planning Committee has laid great stress on credit societies taking up non-credit activities and in particular, the marketing of agricultural produce of members. The Gadgil Committee does not, however, make any specific recommendation as to how credit should be linked up with marketing. According to the recommendations of the Co-operative Planning Committee, loans are to be given by co-operative societies to their members on the specific condition that they market their produce through the primary society. The primary society will market the goods through the marketing society, and the marketing society, after selling the goods, would pass on the sale proceeds to the primary society. The primary society will then recover its dues and pay the balance to the member. Such linking of credit with marketing will be possible only if the credit and marketing organisations are closely linked and working together the same agency. The Credit Corporation will not be able to lay down any such condition and in any circumstances will not be able

to enforce it. This is a serious practical difficulty and is almost insurmountable.

Ninthly, another practical difficulty that would stand in the way of efficient working of the Corporation recommended by the Gadgil Committee, is a lack of decision of any dispute that might arise between the Corporation and the borrower and the absence of a machinery for the recovery of its dues. At present, all disputes between a co-operative society and its members in connection with the business of a society are decided expeditiously under the Co-operative Societies Act. As regards recovery of co-operative societies' dues the systems adopted in various provinces vary. If the Corporation begins to function on the scale visualised by the Gadgil Committee, there would be thousands of disputes that would require adjudication. It might be suggested that disputes may also be settled by arbitration but this would be difficult, as the Corporation is a lenders' organization. Disputes in a co-operative society are easily settled by an arbitrator who belongs to the village or resides in a nearby village or a town and who is well-known to the parties and thus enjoys their confidence. This would not be possible in the case of the Corporation. As regards dues of the Corporation, it would be undesirable to provide for recovery of dues as arrears of land revenue, because in the case of a semi-public Corporation, the interests of lenders would have an upper hand. The recovery of dues of the Corporation would, therefore, have to be made through civil courts in the ordinary course, and this would result in heavy expenditure and harassment of the debtors.

Lastly, the Gadgil Committee observed: "There is little doubt that the best solution for this problem would be to induce such cultivators to form themselves into co-operative societies which are financed by the central financing agencies or if need be, by the State Corporation. In case it is impossible to form co-operative credit societies in all such areas, it would be necessary to create some kind of borrowers' organisation to form a link between the local agency of a State Corporation and the large number of agriculturist-producer borrowers

scattered over the whole countryside. The main service that such borrowers' groups might perform are those of collecting loans and of information required in respect of them for all producer-borrowers in a locality and transmitting the same to the lending agency. It might begin by being no more than an agent of the Corporation for joint transmission of application and information and might slowly take on other functions or develop into an independent organization." It is also pointed out in this connection in the note attached to the Committee's report how such borrowers' groups will also not function properly. In the first place, the groups may operate or function after adopting certain rules and regulations about the conduct of their business. The question would then arise as to who would prescribe these rules to the groups. If the rules are framed by the group itself, it is in no way different from a co-operative society. It is just a co-operative society but without its name. If, on the contrary, the rules are prescribed by the lending organisation, then the group merely functions as an agent of the Corporation and has little responsibility except that of making good the losses that might arise. The responsibility of each member of the group vis-a-vis other members is decided by the Corporation at whose mercy the whole group would lie. Thus the note points out that for a satisfactory system of agricultural credit it is necessary to employ an agency which—

(i) will be able to command the services of honorary workers to a considerable extent :

(ii) will allow the fullest opportunity for the expression of local opinion, for watching the day-to-day working of the system and for keeping it on the right track by means of publicity and healthy criticism :

(iii) will provide for direct participation of borrowers in its affairs. In fact, the system should be the servant and not the master of the borrowers.

(iv) will provide for an efficient and trained personnel who would be subject to the control of the representatives of the people but who must have at the same time security of

tenure of service and protection against victimisation vouchsafed to them.

In order to fulfil the above conditions, the only system that human genius has so far been able to devise is the co-operative method. The note further points out that if expenditure of large sums of the tax-payers' money is to be justified, it must be in promoting an ideal agency that would provide the necessary credit to agriculture at a reasonable cost and not the second best system, as the ubiquitous 'third alternative.'

CHAPTER XI

CO-OPERATIVE PROBLEMS AND CONTROVERSIES
CENTRALIZATION Vs. FEDERATION

1. Why Federations or Combinations of Co-operative Societies are necessary?—"Union is strength" is the fundamental principle which is as much applicable to individuals as to co-operative societies. The organization of 'individuals 'into societies is only the first stage in co-operative development. Just as the function of the society is to impart economic strength to individuals through union, so federation is necessary to give strength to societies. Again, if the principle of unity is to be translated into actual practice, it is necessary for a co-operative society to combine with others of its kind in order to secure larger results from such combination. Thus combinations known as unions, federations or central institutes are formed for various purposes and may be classified according to the purpose they serve :—

(a) Those organized for banking known as Banking Unions or Central Banks;

(b) Those organised for the carrying on of trade known as Wholesales;

(c) Those organised for mutual supervision, control and guidance or audit known as Unions or Institutes or Audit Federations.

Without such federation the business side of a co-operative society and probably its social side also will suffer greatly. In fact, this has been recognized and in every country where co-operation has struck root, federation of one kind or another is found.

2. Advantages of Federation :—There are many advantages which accrue to federations of co-operatives formed for trade or business purposes. The chief among them are:—

(i) Greater purchasing power with the resultant reduction in prices charged to consumers;

(ii) Greater pooling of funds enabling the federation to undertake activities in connection with production or processing on a large scale which would be next to impossible if the local co-operatives remain in isolation;

(iii) Standardization of methods with the resultant greater efficiency;

(iv) Reduction in the number of brands of goods handled by the co-operatives resulting in economy.

In most of the countries of the West, Federations of Consumers as well as of agricultural producers have been formed, but in countries where only one wing of the co-operative movement has developed, either the producers' federation or federation of consumers' societies is met with. The most notable examples of federation of consumers' societies in England are the two Wholesale Societies of England and Scotland. Similarly, as instances of Federations of Agricultural Producers, mention may be made of Wheat Pools of Canada and Cotton-growers' Exchanges and the Californian Fruit-Growers' Exchange of the U.S.A. The process of development of a federation for trade generally known as a wholesale society differs from that formed for agricultural business. In the former case only a National Federation is formed dealing directly with constituent societies, while in the latter case small local unions or associations are organised and they in turn form a national federation. The business of supply of agricultural requisites is also combined with that of marketing of agricultural produce. Trade forms the prime function of a wholesale society, whether it is organized on behalf of consumers or on behalf of agriculturists. It must be noted, however, that trade does not stop there only. A wholesale society formed of retail consumers' a societies takes to manufacturing, as has been found in the cas or- of the two Wholesales in England and Scotland. The Agric y in tural Wholesales of Germany and other countries have simi s and entered into production of agricultural requisites such It deals plements, artificial manures and other manufacturing p as several

to convert the agricultural produce into a better product for marketing. In order to enable one to understand the points of difference between a centralised association of producers and a federated one, it would be necessary to trace the development of the system of co-operative marketing of agricultural products, as it has developed in the United States of America, in so far as these types are concerned.

3. **Types of Co-operative Sale Organizations** :—In the U.S.A. there are four types of co-operative sales associations, viz., (1) local associations, (2) Federated associations, (3) Centralised associations and (4) combined associations.

(1) **Local Associations** :—Farmers are members of a local association. They are required either to purchase a share in the capital of their association or to sign the marketing contract. The area of operation of a local association is limited to a few villages round about a town. The functions of a local association depend on the nature of commodity handled, e.g. a local cheese factory or creamery.

A co-operative gin processes the members' cotton, while a grain-elevator purchases and stores grain and arranges for its transportation to terminal markets. A local association handles a large quantity of the produce of its members, grades it and packs it for shipment. In addition to selling, a large number of these associations also buy agricultural and domestic requisites for their members. The aim of a local association is to effect economies of bulk handling and to secure advantages of grading, pooling and processing. The local associations have their own strength and exhibit weaknesses also. The chief strength of a local association lies in the fact that members have (i) unity of interest and (ii) know each other, (iii) and they repose confidence in the local manager. (iv) A local association serves as an effective medium for propagation of information regarding production to its members. (v) It also facilitates development of marketing. As against these advantages who weakness of a local association is that it operates chiefly the peo local market and possesses little or no bargaining power

by itself, hence the need for the establishment of a Regional Association of the federated or centralised type for the solution of major marketing problems.

(2) **Federated Associations** :—The chief aim of these associations is to bridge the gulf between producers and consumers by functioning as a terminal marketing association. A federal association is formed by local associations to look after their combined interests in the wholesale markets. The federation tackles the problems of selling, advertising, merchandising, transporting, financing, quality improvement, control of the flow of products to markets and marketing research. It also helps the local associations in the production of commodities. The organization and working of a federation is well illustrated by the California Fruit-Growers' Exchange. 13,300 fruit growers are members of 200 local associations. These Associations are members of 26 District Exchanges and these Exchanges are federated into the California Fruit-Growers Exchange which is at Los Angeles.

Fruit-growers contract for the supply of fruits with local associations, which sign contract with the district exchanges which in their turn make agreements with the central exchange. Local associations sort, grade and pack lemons and oranges received from their members. In some cases they also prune the orchards and pick fruits for their members. Fruits received are pooled according to variety and grade. Although the local associations are at liberty to sell the fruits, sales are usually effected on the advice of the District Exchanges, which are in a better position to suggest the time and markets, i.e., when and where the produce can be sold with advantage.. The Central Exchange, however, acts as a co-ordinating unit of the entire system. Its chief function is to sell fruits. For this purpose it has its own grades and it has evolved a popular brand known as "Sunkist". It has sales representatives in about fifty important wholesale markets. It spends large sums of money in advertising its members' fruits, in developing new markets and in carrying out research, on behalf of the members. It deals directly with sales agents in foreign countries. It has several

departments dealing with transportation, orchard production, field service and other legal matters. The Exchange has its own lumber (teakwood) mill and box factory.

The California Fruit-Growers Exchange is a model federation and other federations are formed on the pattern of this Exchange. The strength of the Federation rests on :—

(i) Its democratic form of Government;

(ii) the authority, responsibility and interest of the primary members;

(iii) the fact that it is built from bottom upward in which the importance of local association is recognized;

(iv) the fact that contact is more easily maintained with members through local and district associations.

(3) **Centralised Associations** :—The Centralised Associations have generally the same area of operation as Federated Associations, viz., the whole of the State or a part of the State. In the case of a Centralised Association, there are no Local Associations and farmers become members direct of the Centralised Associations and enter into contract with them. The most important associations of this type are "Cotton and Tobacco Associations". These organisations also receive their members' produce, sort and pool after grading. They then arrange for the sale of the produce. They advise their constituents on matters of production, supply agricultural requisites and undertake research on production and marketing. In short, they function both as Local Associations and Central Exchanges of the Federated type. The "Washington Co-operative Egg and Poultry Association" is one of the most successful marketing associations of this type organised in the year 1917. It had a membership of 117 at the time of its start which increased to 18,000 by the year 1935. In 1935 it had 26 branches all over the State, particularly in the egg-producing areas. The Association owned a fleet of 120 trucks for assembling poultry and eggs from the farms of its members and for delivering food and supplies. It handled 10 lacs cases of eggs, each one containing

1,440 eggs and 35 lacs lbs. of poultry and 17 lacs tons of feed. Its Nutrition Committee tests and improves feed formulas and the feed supplied is tested in its own laboratory. This type of Centralised Association has certain distinguishing features:—

(1) It is organised or established in a short time.

(2) It is particularly valuable where strong control is required.

(3) It recognises that volume or bulk is essential with a view to reducing costs and that is an important factor in the determination of market prices.

4. **Points of Distinction between a Federated type of Association and a Centralised one** :—The difference between the two types is largely a matter of degree and is not one of kind. A fundamental difference noticeable between the two is that a federated type starts from the bottom and grows upwards and it decentralises authority among its constituent members, while in the case of a centralised association it is built from top to the bottom. There are other points of difference in regard to several matters between the two types and the sub-joined table sets forth these points of difference :—

Matters in respect of which differences arise	Federated Type	Centralised Type
1. Membership.	Farmers are members of local associations which are members of district associations or exchanges; these district associations are in their turn federated into the central exchange.	Farmers are directly members of the central exchange and there are no intermediaries between the two.
2. Objectives.	A federated type works with the object of lower-	The main object of a centralised type of asso-

Matters in respect of which differences arise	Federated Type	Centralised Type
	ing the costs of marketing and obtaining best possible market prices by providing efficient marketing service and supplying quality products.	ciation is to control prices by controlling the market supplies.
3. Modus Operandi for the fulfilment of objects.	A federated type acts through rendering efficient marketing service.	A Centralised type of association attempts to gain control of the bulk of crops for the purpose of increasing its bargaining powers.
4. Seat of Authority and business transactions.	In a federated type of association, farmers are the owners of local associations, which in their turn own the district exchanges, and the central exchange itself is owned by the district exchanges.	Farmers directly own the central exchange without any intermediaries.
	Farmers sign contracts with their local associations, which in their turn enter into contract with the district exchanges and which make agreements with the central exchange, for the delivery of products.	Farmers directly sign contracts with the central exchange for the purpose of deliverng goods to it.
5. Voting.	Farmers elect directors of the local associations which in their turn, elect directors of the district exchange and the directors of the central exchange are elected by the district exchanges.	Farmers elect delegates at district meetings which, in their turn, elect the directors of the central exchange.
6. Members' Contracts.	Members' contracts are not considered essential.	Members' contracts form a vital or an integral part of the business of a centralised exchange.
7. Method of Sale followed.	It works on an agency or commission basis in the disposal of produce.	It makes outright purchases of goods in order to effect sales.

Matters in respect of with differences arise	Federated Type	Gentralised Type
8. Control of Volume.	It does not insist on a definite percentage of crops to be sold through it.	It insists that at least 75 per cent of the crops should be sold through it before it can commence operations.
9. Marketing Functions.	The functions of packing, sorting grading and standardising are left to be undertaken by the local associations, while central organization concerns itself with supervision and advice and finding trade outlets.	It undertakes all marketing functions, as it functions both as a local and a central organization.
10. Business relations with non-members.	Business from non-members is handled by local associations.	Business from non-members is not entertained.
11. Financial arrangements.	Associations having share capital are considered essential.	Non-stock associations are favoured.
12. Pursuit of Price Policy.	More emphasis is placed on efficient marketing services and quality products in order to get the best possible market prices.	It favours monopoly of control over a large volume of crops in order to control prices.

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CHAPTER XII

CO-OPERATIVE PROBLEMS AND CONTROVERSIES CONTD; PRODUCERS VS CONSUMERS

Why Co-operative Store is started?—Co-operative societies of consumers are generally formed for the satisfaction of their common needs or for the supply of daily necessaries of life among persons who live in the same locality or work under a common employer or an industrial establishment and have neighbourly or other interests in common. The prices charged by the retail shop-keepers are often found to be in excess of any justified, by market conditions. The shop-keepers not only exact high prices for the goods but also are found to abuse their position by adulterating the goods or by giving false weight or under-weight or by selling goods of poor quality. The unorganised purchaser is, therefore, helpless against them in the absence of associative action or for other reasons such as indebtedness of the consumer to the shop-keeper through buying on credit or want of any other shop-keeper in the neighbourhood who can offer better goods or services. These are the flaws or inconveniences which a co-operative store is designed to remove. The consumers' primary objective in founding a co-operative store is to avoid the long chain of middlemen intervening between the primary producer and the consumer, who at each stage levy a toll on the consumer for the mere service of bringing the goods to the doors of the consumer, firstly by obtaining what they want directly manufacturing their own requirements. Thus a co-operative store sets out to sell to its members and customers articles of consumption bought by the society or manufactured by it. Prof. Gide observes in this context :

"Every consumer society has for its object *production*, but as a matter of fact, it only achieves this at an advanced point in its evolution. In its beginnings, a consumers' co-operative society is satisfied with buying the requirements necessary for its members; it is a shop-keeper long before it is a manufacturer." This is a natural way for the growth of the consumers'

movement in countries like England and Sweden or other countries where it has made rapid strides. Thus the movement moves slowly and steadily from the stage of mere distribution to one of manufacture. Though production is undertaken by the consumers' co-operative organisation, it is not producers' co-operation, as it is not controlled by producers. The expression 'Productive society' is sometimes loosely used to connote a producer's society and as this is likely to create confusion in the minds of co-operators, it is desirable that a clear-cut distinction which must be made between the two expressions is pointed out here. Consumers' societies are engaged in production of goods required by their members and may, therefore, be styled as 'productive societies' inasmuch as they organise production. For example, the consumers of flour may organise a flour mill in their own interests in which case it is a consumers' society undertaking production and not a producers' society. Similarly, a society formed of persons or builders to build houses with a view to selling them at a profit is really a producers' society but if such a society is organised by occupiers or persons intending to have houses for occupation, in order to provide themselves with dwelling houses, it becomes a consumers' society. In order, therefore, to determine in each case whether an existing co-operative organisation is a consumers' co-operative or a producers' one, it is necessary to ascertain primarily whether it is organised in the interests of consumers, in which case it would be a consumers' co-operative or whether it is organised primarily for the benefit of producers, in which case it would be a producers' co-operative, and not a productive society.

2. **The Wholesale Societies** :—In England, the Rochdale Society of Equitable Pioneers was established in the year 1844. Soon after the founding of this Society, a number of other stores on the Rochdale model were started in the neighbouring communities. By the year 1852, there were more than a hundred stores in operation in England and Wales. In order to remove the difficulties arising on account of their dealings with private wholesale dealers, the retail consumers' societies in England established the C.W.S. (Co-operative Wholesale

Society), 1863; and those in Scotland combined to form the Scottish Wholesale Society in 1868. These two societies have been very successful and have adopted the principles of trading laid down by the Rochdale Pioneers. The capital of the English C.W.S. is subscribed by the retail societies, each of them taking up shares in proportion to its membership. Societies only are its members. Goods are sold to the retail societies at ordinary market prices dividing the surplus among them proportionate to their purchases. Business was commenced in 1864 and as the trade increased, branches were established at important centres and purchasing agencies were opened in England, Ireland and in New York and Montreal, and later at other places also. In 1871, the C.W.S. opened a banking department in order to enable the societies to bank through the banking department. In 1873, the C.W.S. went into production in order to supply the societies with goods they required. The Biscuit and Confectionery works were first purchased and the productive activities of the C.W.S. soon began to increase. Factories for boots, jam, candles, soap, hosiery, flannel, furniture, pickles and tobacco were established. Printing works were opened in 1895. In 1876 only, the steamship 'Plover' was purchased for fruit-growing and farming. Other farms were also acquired from time to time for agricultural purposes not only by the C.W.S. in England but also by other retail societies. The entry of the C.W.S. in the domain of production, both industrial and agricultural, marks the beginning of the conflict of interest between producers and consumers and the controversy has mainly centred round the question whether the consumers' societies should control production in the industrial and agricultural spheres through their wholesales which are federations of retails consumers' societies, or whether the producers should not be similarly free to organise themselves into producers' organisations of their own, and thus remain independent of consumers' control. The question has also been posed whether the apparent conflict of interests of both the sectors of the movement cannot in some way be reconciled to their mutual benefit and advantage. Thus co-operative opinion is divided on the question and one school of co-operative thought, while advocating consumers' control of production, claims that

by undertaking production the consumers movement can produce for use and not for profit. Through their societies, it contends, that the consumers know the exact demand and thus can do away with waste associated with competitive methods of production. Further, production can be undertaken economically and the accumulated capital in the consumers' movement can more profitably be employed in their own productive works. The producers, on the other hand, claim that they have a right to form associations of their own on co-operative lines for the purpose of producing goods independently of consumers' control and urge that consumers' co-operatives should confine their activities merely for distribution, leaving production to be undertaken by the co-operatively organised producers. The former view-point is known as the consumers' or the Federalist theory of control while the opposite view-point is called the Producers' or the Individualist theory of control It was natural that in the absence of co-operatively organised producers in the agricultural field, consumers would have regarded their method of production under their own control a desirable thing. But for the fact that societies of producers in the industrial sphere such as printers, textile workers, were springing up, it would not have been felt in England that there was any conflict of theory in the co-operative world. In England, the advocates of control by producers were not only weak in their numbers but also in their achievements, while the advocates of consumers' control were considerable both in their numbers and in the importance of their work. It may be noted in this context that there is a large body of opinion in Europe in favour of the view that producer control is the proper co-operative method and that if both the wings of the co-operative movement were not brought into proper relations with each other, co-operators will have failed to make the co-operative movement a coherent whole organically linked up in all its parts. The question is whether it is not possible to arrive at some reconciliation between the two rival theories. It is common ground, of course, to both the schools of thought that consumers' co-operatives are an important part of the co-operative movement for the purpose of distributing goods, but because they undertake production and set no limits to it, the

real conflict arises between them. If the consumers' co-operatives were prepared to concede that the agricultural producer had an equal right to organise himself in a producers' co-operative organisation of his own, the conflict would have been narrowed down to one between the industrial co-operatives and the consumers' wolesale societies. But unfortunately, the advocates of consumers' control claim that the consumers should have the determining voice in controlling production and as such, they would control all kinds of production including agricultural. Among the supporters of consumers' control over farm economy, are also the members of Co-operative Commonwealth school. Thus the policy followed by the C.W.S. in buying farms, raising crops and producing animal husbandry products for the use of its affiliated societies is sought to be justified. It is further argued that since the consumers are the whole community, they should own and manage factories built for the production of goods required for their own use, as they believe in what is known as production for use and not for profit. Besides, it is pointed out that production undertaken by the C.W.S. tends to be more economical than that undertaken by producers because production is undertaken to meet the known and exact demand and that the surplus capital of the retail consumers' societies can be more profitably utilised in the manufacture of goods, which their own members consume, than if they invested a part of it in financing the industrial co-operatives. Thus a number of retail societies in common with the C.W.S., according to the advocates of consumers' control, justifiably possess extensive farms which are worked by them with a view to producing meat, milk and vegetables, etc. Dr. Warbasse is the exponent of this view of consumers' control over farm economy and his views are expressed in the following passage :—

"The theory of consumers' ownership and control may be applied to agriculture in the same way as to other industries. The first step is to organise the farmers in order that they get better wages, that their standard of living may be elevated, and that speculation in the products of their labour may be minimized. . . . The theoretical end of consumers' co-operation it

might be said, is to purchase the land from the farmer, and employ the latter as an agricultural technician....In a given agricultural district the local consumers' societies acquire the farms near the towns; farms which produce above the local needs would be bought by the national wholesale society; and farm areas which were not necessary to supply the needs of the country would be purchased by the international Co-operative Whole Society. This is the natural distribution of land, if we theoretically pursue the consumers' co-operative principle to its end."

It may be conceded for argument's sake that a large industrial farm has many advantages over a small one, and if the consumers' organizations owning and working them are regarded merely as co-operative business enterprises having no ideals or moral background, the policy of consumers co-operating in acquiring land and exploiting its resources by employing labour at better rates of wages and making available to consumers economies of large-scale production, may perhaps be justified from a material point of view if the venture is successfully run. But the whole question has to be looked at from a moral or a spiritual point of view. In embarking on agricultural production under its own control, the consumers' co-operative movement is injuring the interests of small peasant proprietors by converting them as a part of a highly specialised industrial farm system; whatever may be the material advantages of such transformation, they would certainly be outweighed by the cultural deterioration and the material degradation of the farmer himself, because a small-holder looks upon his land as something more than a mere instrument of production. It is regarded as a way of life and abandonment of the farm must imply the abandonment of the home itself for the farmer. The farm is, therefore, not merely a material asset to him but a cultural asset as well. To uproot him from the soil, so as to convert him into a better paid wage-worker would certainly be repugnant to the philosophy of the co-operative movement itself. Even considering the policy from a practical stand-point, past experience has demonstrated that consumer ownership of farms has been a failure, because farming is by nature a family

business which can be best carried on on an individual basis. Individual ownership and family management of a farm have stood the test of time and control of a farm by an impersonal and changing management of a consumers' co-operative has proved to be both expensive and unsuccessful, as the experience of the English and Scottish Wholesales themselves indicates.

Assuming that a complete reversal of the policy followed by the consumer co-operatives is not possible and that the producers' societies have a right to exist and develop on their own lines through their own wholesales, the question is whether it is not possible to harmonise the conflicting interests of both the sectors of the movement so that they can co-exist, mutually assisting and promoting the common interests of the community as a whole. Thus visualised, the problem resolves itself into two aspects for our purpose, viz., (1) How the friction and competition existing between the industrial co-operatives and the consumers' federation undertaking production can be reduced to a minimum without permitting the latter to absorb the former? (2) In what way can the co-operatively organised agricultural producers and the farm owning consumers' co-operatives enter into a friendship to the mutual benefit of both?

Dealing with these aspects it may be noted that some compromise could be arrived at whereby certain productive works would be carried on by the C.W.S., while leaving certain others to the industrial co-operatives. This would serve to end the future competition between the new productive departments in the wholesale society and the societies that would come into being, but it would not eliminate competition already existing between the factories run by the C.W.S. and the industrial co-operatives. In order to put a stop to this unhealthy rivalry it would be necessary to ask the C.W.S. to purchase the output of the industrial co-operatives up to a certain point and to limit its own production in those goods, if necessary. Even then the practical difficulty involved in the fixation of price has to be removed, as the C.W.S. would wish to buy the goods at the lowest price it can, while the producers might demand a higher price for their goods than that offered by the C.W.S., because

it is possible for producers to sell their goods in a competitive market at higher rates. This difficulty can be got over if inter-trading arrangements between the two wings of the movement are brought about by the establishment of a joint board on a federal basis. This board will fix fair prices in such a way that the consumer will not take undue advantage of the need of the producer nor the producer the need of the consumer. Price-fixing would be done on equitable considerations of the producers' cost on the one hand and of the needs and the capacity of the consumer on the other. The joint board referred to above would be a link between the consumers' federation and the federation of the co-operatively organised agricultural producer or it might be a part of the machinery of a joint wholesale society which is representative of consumers co-operatives, industrial co-operatives and agricultural producers' co-operatives. Economic arrangements between consumer and agricultural co-operatives may be brought about by means of ordinary business transactions, agreements or joint undertakings. In the first type each transaction is entered into on its own merits leading to more permanent arrangements. When the relations between the two get sufficiently advanced, long-term contracts fixing the quantities, qualities, grades, prices and times of delivery may be entered into. A joint undertaking owned by both the sectors of the movement would be a more ambitious attempt to co-ordinate their activities, but there are limitations to its use and further it creates difficulties while working out a satisfactory method of distributing the patronage dividend. Again, in countries where both the sectors of the movement have made satisfactory progress and have developed on well-defined lines, inter-co-operative action could be arranged by establishing a national committee. Such national committees function in many of the western countries and vary in their composition, methods and scope of work. It would be pertinent at this stage to bring out the essential differences between producers' and consumers' co-operatives; as set forth in the sub-joined table.

Matters in respect of which differences are noticed	Consumers' Co-operatives	Producers' Co-operatives
1. Basis of Organisation.	Membership consists mostly of wage-earners, professional classes residing in towns and cities. e.g. Co-operative retail and wholesale societies, insurance societies, etc.	Farmers and industrial producers or cottage workers or craftsmen, e.g., farmers' co-operatives, marketing co-operatives and industrial co-operatives.
2. Membership.	Open door policy followed irrespective of caste, creed, colour, sex, profession, etc.	Limited to producers of specific commodities like dairy products, cheese, grain, livestock, fruits, tobacco, cotton, etc.
3. Control.	Control of the organization is in the hands of consumers and employees of the undertaking, if the latter are given the right of membership.	Control is in the hands of producers only. Membership is thrown open to employees after a specific period of apprenticeship.
4. Business tendency.	As the organisation grows stronger, the prices of commodities charged to customers or consumers are reduced.	As the organisation grows in strength, the prices of commodities sold are likely to be raised.
5. Process of Development.	Through federations with local units as the basis.	Through federations with specific commodities as units.
6. Functions.	Normally one local unit serves many purposes, e.g., a consumers co-operative starting as a grosery store may commence handling milk, coal and may run a restaurant.	A producers' co-operative may concern itself with marketing one particular product following commodity principle, and it may undertake supply work also.
7. Social Objective and Broad Idealism.	A co-operative consumers society allots funds for the provision of social amenities of its members, e.g., it undertakes educational work.	It does not realise the necessity of educational work. If at all it does undertake it, it fosters only technical education.

It may be further noted that in the application of certain co-operative principles underlying the consumers' co-operative movement certain differences emerge between the producers'

co-operatives and the consumers' co-operatives, though there are certain points of similarity noticeable between them. Producers' co-operatives also follow the principles of equity in so far as honest dealings, eradication of corrupt practices, high quality of goods and services are concerned, and they are as much democratically controlled as the consumers' co-operatives. Again, both the producer and consumer co-operatives are also interested in developing loyalty, honesty and unity among their members and forming federations for the achievements of larger results. The producers' group also adopts certain Rochdale principles in their organisation, but those principles would be limited in their application to a co-operative producers' organisation. Take for instance, the principle of patronage refund. The patronage refund is based in a consumers' co-operative on the volume of purchases made by a member, while in a co-operative producers society, the patronage refund is based on the value of goods sold through the society. Producers' co-operatives do not pay patronage refunds to the consumers who buy their products. Besides, a producers' co-operative does not banish the profit motive from its business. Thus a producers' co-operative cannot invoke the principles of equity in doing its business to the fullest extent. Again, the principle of unity followed by consumers' co-operatives can be applied to a producers' co-operative only to a limited extent, e.g., commodities marketing co-operatives are not at all interested in the problems confronting fruit-growers or producers of dairy products, nor can they be expected to unite with them in forming larger federations for business purposes, as there is nothing in common so far as their economic interests are concerned. Similarly, the principle of liberty is restricted in its application to a producers' co-operative. Some marketing co-operatives notably the centralised type compel their members to sign long-term contracts with them whereby they have to market a certain proportion of their products through them, whether it is or it is not advantageous for them to do so. While in a consumers' co-operative society there is seldom any need for members' contracts, though loyalty of members to the store would be also essential, if the store were to render efficient service and to effect economies implicit in bulk handling. There is another point in respect

of which a producers' co-operative is distinguished from a consumers' co-operative, and that is to say, in the matter of provision of capital for financing the undertaking. In order to raise the requisite capital a producer's co-operative is required to accept non-members' deposits or to borrow from the banking system, while in a consumers' co-operative this practice is rarely met with because sufficient capital is forthcoming to finance the requirements from the patrons themselves. Again, in regard to the implementation of the principle of universality, a producers' co-operative is necessarily required to depart from it, because it has to restrict its activities only to bonafide producers of a specific commodity. Again, in regard to trading, cash sales are the rule followed by a consumers' co-operative, while a producers' co-operative follows a different procedure. There are usually three methods of handling produce by marketing co-operatives:—(1) By making payment of cash on delivery, i. e. making outright purchases;

(2) Paying the farmer when the products are actually sold after deducting management expenses, i. e. disposing of goods on an agency basis; and

(3) Paying the farmer net pool price after the products in the pool are sold, i. e. making payment to the farmer net average pool price after making deductions on account of management expenses.

The advantages of the first method are:—

(1) It accords with the market practice;

(2) It satisfies the immediate needs of the farmer for cash.

(3) It eliminates uncertainty in regard to price which the products would fetch;

(4) It meets the competition of private traders by following the latter's method of doing business;

(5) It reduces the volume of work in connection with book-keeping. As against these advantages, it may be noted

that there are serious risks implicit in making outright purchases or cash trading. If the society is to pay cash on delivery, it would be required to fix a price and there is always the risk of fluctuations in prices. Since these fluctuations are erratic in their behaviour, differences in price cannot always be predicted and there would also be no hedging arrangements possible for all the products or the kind of products so purchased. Further, payment of cash before sales are effected would imply the need for a larger amount of working capital, most of which may have to be borrowed at interest and the necessity of employing a more highly paid managerial staff. The further disadvantage is that once the goods are sold and the price is paid, bond between the member and the society tends to be weakened. That is why the All India Co-operative Planning Committee recommended that the amount of outright purchases to be made by a marketing co-operative should be restricted up to a maximum of five times the value of its paid-up share capital and reserves. Thus it is in the interests of safety that a producers' co-operative should work on an agency rather than on a proprietary basis. Another point of difference between a producers' co-operative and a consumers' co-operative is that there is a greater degree of specialisation in the former than in the latter. Experience has shown that in a marketing or a producers' co-operative the commodity principle has to be observed, if it is to achieve success, because it ensures harmony amongst members and unity of their interests. Thus we find that separate co-operatives are established for handling grain, fruits, dairy products, livestock, cotton, jute, etc.

3. **Superiority of Consumers' Co-operatives over producers' Co-operatives** :—It is generally believed that the consumers' co-operatives stand higher than those of the producers in the hierarchy of the co-operative movement, though both of them are essential from the point of view of the fullest development of the co-operative community, the one helping in the distribution of wealth on the basis of need and the other by increasing the income of specific groups on the basis of their capacity to produce wealth. The reasons assigned for such superiority may be found in the fact that consumer's co-opera-

tion carries an appeal to all persons, as all of them are consumers and may be regarded as an organisation having humanity for its membership while the producers co-operation is concerned merely with particular classes dealing in specific products or goods in specified areas. Thus it works in the interests of a limited number of persons and multiplies sub-class and specialised groups, whereas consumers' co-operation embraces all classes of people irrespective of their class, creed, colour, sex, thus doing away with separate class or group consciousness. The substitution of service motive for profit motive is another point in favour of consumers' co-operation, while producers' co-operation may increase the profit of their members at the expense of the consumer. Other economic systems consider production as a major function of the economy, while consumers' co-operation places its foundation on consumer function and thus serves to correct evils inherent in other systems.

4. **Establishment of Marketing Boards** :—Another source of conflict in England between producers and consumers may be found in the establishment of Marketing Boards for the benefit of producers of certain agricultural products under the provisions of the Agricultural Marketing Acts of 1931 and 1933. The procedure followed prior to the formation of a Board is for a vote to be taken of all producers of a particular product and if there is a majority in favour of the marketing scheme proposed, then all the producers of that particular product are compelled by law to market it to or through the Board. A Marketing Board, it may be noted, usually deals with only one product and its by-products and if it is set up to deal with, say, cocoa, it cannot regulate the marketing of maize or tobacco, unless the whole procedure is started afresh and a new board set up. A marketing board usually consists of representatives of producers and distributors with a neutral chairman appointed by Government. Representatives of consumers may also have a place on it.

In England, the Agricultural Marketing Act of 1931 authorised the farmers to set up a producers' organisation in order to enable them to sell their produce jointly. The Act further

gave authority to the farmers through their Board to fix prices and the conditions and terms of sale of their product and to choose agents through whom the produce may be sold. The Act of 1933 went one step further and authorised the Board of Trade to regulate the imports of commodities for which marketing schemes existed. It also empowered the Ministry of Agriculture to regulate the description and quality of produce if it deemed necessary on the representation of the producers to that effect. Provision was also made for the processing of primary agricultural product for which a marketing scheme existed, such as pig, or milk. Thus schemes for secondary products like bacon, cheese or butter were also allowed to be established and the qualities of such processed products might also be subjected to regulation by a Development Board. The Market Supply Committee functioning under the Act was further empowered to calculate the quantities of the supply of particular agricultural produce available in the country, and on the strength of such computation to advise the Board of Trade on the quantities of foreign imports of that commodity needed to satisfy the domestic demand without reducing below economic level the price paid to the farmers for the home produce. This form of producers' control sanctioned by the Agricultural Marketing Acts of 1931 and 1933 is strongly opposed by the consumers' co-operative movement in England for various reasons. In the first place, the method of price control adopted by the Marketing Board has been to fix prices in such a way that relatively, inefficient producers get a profitable return. Secondly, in the absence of incentives to improve efficiency in production a premium is put on inefficiency and efficient producers reap exhorbitant profits at the expense of the consumer. Thirdly, the powers of a Marketing Board to determine the method of distribution and fix prices of products, constitute a serious interference with the rights of the consumers' Co-operatives, to supply their members with products that are controlled by a Marketing Board. Fourthly, the body of consumers have little or no representation on a Marketing Board and thus they have no effective voice in the determination of prices of products in the interests of consumers, producers and distributors. Fifthly, the co-operative enterprise is

seriously handicapped, as the schemes of marketing under the statutory board set a limit to the expansion of their normal trading activities. It is further pointed out that the marketing schemes have had already an adverse effect on the consumers generally, as the bacon scheme and the quantitative control of imports thereof greatly increased the price of bacon to the consumer. Similarly, the Milk Marketing Scheme has also enhanced the price of milk to the consumer and the co-operative consumers' movement is, therefore, rightly demanding recognition of its rights to regulate trading in commodities controlled by the Boards.

5. If harmony is to be restored between producers and consumers, it would appear desirable for producers to have a full-fledged organisation of their own, instead of a Marketing Board, as an intermediary step, and then the producers' co-operative movement would feel its solidarity with the co-operative consumers movement. It should then be possible to set up joint boards on a federal basis to fix fair prices of products handled in the interests of all concerned. The machinery of the Co-operative Union in England—a supreme advisory and propagandist body—which is representative of agricultural, industrial and consumers' co-operatives, might be availed of to bring about such an arrangement and through its good offices a policy of reconciliation may be worked out, so as to bring all the parts of the movement into harmonious relationship.

CHAPTER XIII

CO-OPERATVE PROBLEMS AND CONTROVERSIES CONTD. CAPITALISTIC OR STATE TRADING Vs. CO-OPERATIVE TRADING

1. **Pattern of India's foreign trade in agricultural commodities after the World War II and Partition of the Country:—** Agricultural commodities in the pre-War quenquennium formed 72 per cent of India's sea-borne trade, while in the post-War period they have ranged between 37 and 31 per cent. This is a permanent change in the pattern of the country's foreign trade and is likely to continue. Agricultural commodities would be of diminishing importance if the present trends in the economic activities of the country are maintained. Much of what was exported previously would be required for internal consumption and in order to pay for imports, manufactured and semi-manufactured articles would have to replace in an increasing measure the staple agricultural products. This replacement is already seen in the phenomenal fall in the quantum of trade in agricultural commodities. In 1950-51 India exported by sea 7,07,000 tons of agricultural commodities only as against 28,02,000 tons in 1938-39, and 39,17,000 tons as average for the five years ending 1934-39. Along with this change, a change in the component of the country's trade has also been brought about, though the commodities which figured in the previous period, figure to-day also but their relative importance has undergone modification. For example, tea is the most important commodity of export to-day, while it was raw cotton in the pre-war period. Raw cotton has fallen from 33% in 1938-39 to 9% in 1950-51. Tea has gained from 12% in 1938-39 to 39% in 1950-51. Spices have increased to 13% in 1950-51 from less than 1% in 1938-39. Other commodities which have gained in importance are unmanufactured tobacco, oil-seeds, raw jute and raw wool. The reasons for the fall in the quantum of trade and the change in the relative importance of different commodities in that trade are mainly attributable to diminished production, growth of domestic demand, the control system and the rising spiral of prices. In the direction of trade also certain

changes are also noticeable, e. g., in raw cotton the principal markets in the post-War period have been the U.S.A., Japan, China, Belgium and the U.K. The off-take in the U.S.A. was 44% in 1950-51 and in Belgium it was 23% in 1949-50. From an analysis of the figures in the country's export trade, it would be seen that from the point of view of export trade in agricultural commodities, the United Kingdom is the most important market. Nearly 35 to 40% of the country's trade is with that country. The partition of the country has also been responsible for the change in the pattern of our trade. With only 70% of the pre-partition acreage under rice and 64% under wheat, India is obliged to meet the problem of feeding 78% of her population of undivided India after partition. Thus partition has aggravated the food shortage in the country. It has also meant to India the loss of nearly 40% of the total output of raw cotton of undivided India. Next to the U.S.A., undivided India ranked as the world's largest producer and major exporter of raw cotton. With partition, India has become a net importer of long staple cotton and raw jute. This situation has, therefor, created difficulties in the balance of payments for India. Our imports of grain, pulses and flour rose from Rs. 13 crores in 1938-39 to Rs. 131 crores in 1948-49. Similarly, in 1938, undivided India had a monopoly of jute but in 1948 it had to import jute worth Rs. 71 crores. Likewise, the value of our imports of raw cotton during a period of ten years increased from Rs. 8 crores to Rs. 64 crores. A favourable balance of about 14 crores in 1938-39 was converted into an unfavourable balance of Rs. 214 crores in 1948-49. It is apparent that it is impossible to finance this adverse balance of trade from the annual releases of the sterling balances, and sterling balances are supposed to represent our capital assets and can, therefore, be used only for the purposes of capital equipment of the country.

2. **The Reasons for State trading and its Limitations :—** Thus the balance of payments position has necessitated a careful regulation of current consumption commodities and a careful regulation of imports has also become imperative, and it cannot be achieved without more State help than in the case

of our export. In this present situation the State has to encourage the import of essential commodities and discourage those which are non-essential commodities. The Report of the Committee on State Trading appointed by the Government of India observes in paragraph 25 as under :—

"Private importers, if left entirely to themselves, tend to concentrate on the traditional sources of supply or sources which to them offer the maximum profit." Similarly, if we are to see that the adverse balance of payment is properly dealt with careful regulation of exports is no less essential. The Exports Promotion Committee appointed by the Government has considered this question thoroughly and has told us how private exporters have harmed India's national interests, by their failure to maintain quality standard and by their resort to various malpractices and profiteering in regard to export commodities. Exports will have to be increased to pay for imports and this necessitates action which private trade cannot take. It is not, however, intended to claim that State trading in itself would remove all the causes of India's adverse balance of payments, but it might be pointed out that if the situation is not to worsen, the matter cannot be left to private trade interests. Besides, foreign trade in some States is now carried on through State monopolies and this has necessitated the conclusion of barter agreements, as happened between India and Russia some time ago. Thus the world situation at present is such that the requirements of the consumer cannct be left to be catered for by the channels of import and export managed by private individuals. In every country, the State has become, during recent years, the active trader, and it might be desirable for India also not to allow its private traders to manage the exports and imports of the country from a profit motive.

3. The conditions created as a result of the last War compelled the Government of India for the first time to enter into the field of wholesale and retail trade in foodgrains. The shortage of supplies that followed the loss of Burma and the consequent inability of private enterprise to make any headway

in the circumstances of the time made the Government take over both the imports and the distribution of foodgrains. Further deterioration of the situation led to the introduction of rationing and the procurement of supplies by monopoly purchase and levy from the cultivators, so that by the end of the year 1944, the scope of Government enterprise in a deficit State like Bombay extended to include the entire wholesale and most of the retail trade in foodgrains besides other commodities in short supply. State trading in exports or imports means regulation of internal distribution. So long as exports do not expand so as to meet the adverse balance of trade, it is inevitable that imports will have to be curtailed to a like extent. It is common knowledge that private traders selling commodities in short supply make large profits at the expense of the consumer. This requires, therefore, the setting up of an organization for internal distribution of commodities in short supply in an equitable manner, which would work through service motive rather than profit motive. The Committee on State Trading has considered this question thoroughly, and it is not inclined to recommend the extension of State trading to any and every commodity, as the Committee is aware of the difficulties of the system of State trading. In regard to imports, the Committee limits State trading to commodities which would not be subject to undue commercial risks. For example, in paragraph 23 of its Report, it mentions certain commodities to which State trading may be extended. These commodities are East African cotton, vehicles and foodgrains. The Committee further felt that State trading in certain commodities would be greatly facilitated if the Government encouraged the formation of co-operative societies of consumers. State regulation of imports has also been found necessary because the existing system of import control has many defects and has in consequence led to speculative trading. Again, after the devaluation of the Indian currency, prices of imports have risen and it is necessary to keep down the costs of imports as low as possible. Bulk purchase arrangements with supplying countries is one of the ways of keeping down the import costs. Centralised buying has certain advantages. In the first place, it influences world prices in certain cases or it may at least result in some savings in the costs of procure-

ment. It also eliminates middleman's commission and secures discounts usually available on large purchases. The fact that this country is one of the principal buyers in the world market may enable it to utilise bulk purchases in order to keep import prices at a reasonable level. This requires centralised control over the commodities the bulk purchases of which are made. In so far as imports are concerned, State trading would be confined to a few articles already mentioned such as East African cotton, foodgrains, fertilisers, raw jute, vehicles and luxury articles. Coming to exports, the Committe, in paragraph 61 of its Report mentions the conditions under which State trading for exports could be undertaken without undue commercial risk. For all these purposes it recommends the establishment of a State Trading Corporation, 51 per cent. of the capital of which is recommended to be held by the Central Government and the balance offered to State Governments and private investors. The Central Government is further asked to guarantee the principal and the interest on the portion of capital held by private shareholders. In paragraph 114 of its Report, the functions of the Corporation as visualised by the Committee are as follows:—

(1) "To take over all the import and export operations of a commercial nature at present handled by the Government Departments. These relate to foodgrains, fertilisers, steel, coal, raw cotton and purchases and sales of commodities necessary for implementing barter agreements.

(2) To take over the monopoly of the export trade in short staple cotton.

(3) To advise Government from time to time whether State trading should be extended to or withdrawn from any commodity in national interests. Before extending its trading activities to any commodity, it should obtain the approval of Government.

(4) To procure goods to foreign governments to whom credit facilities have been granted by the Government in order to enable it to see how the credit is utilised by the debtor country, and to ensure the utilization of Indian banking, shipping and insurance services in connection with such transactions.

(5) To function as a principal or an agent in the matter of purchases or sales on behalf of any foreign government in the Indian market, under a mutual arrangement between the two governments.

(6) To undertake on behalf of the Indian traders and at their risk and costs, negotiations with foreign traders for either purchases or sales of commodities.

(7) In order to correct the harmful activities of private traders in any country, to take over the entire trade in the commodity concerned or to undertake trading activities for such private traders.

(8) To undertake market research and to perform ancillary services such as publicity and advertising in foreign countries."

II. Relationship of the State Trading Corporation with Co-operative Trading Organisations in the Country:—From what has been said so far, it would be apparent that the establishment of a State Trading Corporation is recommended for the fulfilment of limited objectives, particularly for dealing with our falling export markets and the uncertain trends in international trade. It is further proposed by the Committee on State Trading to link up the activities of the Corporation with the co-operative organisations in the country. This is likely to assist very greatly in the development of co-operative consumers' organisations on the one hand and producer co-operatives on the other. In paragraph 103 of its Report, the Committee writes : "The Committee considers that a progressive reorganisation of internal trade on a co-operative basis may obviate the necessity of extending the scope of the State Trading Corporation. The co-operation offers a form of control which, while securing all the benefits of state trading, preserves also the advantages of private enterprise. The vast majority of agricultural producers in the country are usually at the mercy of traders. Ignorance and lack of resources compel them at harvest time to part with the products of their toil at relative low prices, and any rise in prices occurring subsequently during the season goes only to the middleman. Evidence has been furnished to the Committee regarding the large profits made

by oilseeds traders during the last season, of which hardly a fraction could have gone to the actual tillers of the soil. In the field of consumption, a large part of the final price to the consumer is represented by the profits exacted at each stage by the long chain of middlemen through whose hands goods have to pass, from the stage of production or importation to the stage of retail distribution. Co-operation is by no means a novel idea in India, and the committee is well aware of the numerous difficulties which are hampering the progress of co-operative movement in this country. The ,Committee feels however, that co-operation offers an effective solution for many of our problems in the sphere of internal and foreign trade and that the difficulties, therefore, must be faced and overcome with determination. The Committee recommends that wherever producers have organized themselves into co-operative societies, whether for internal distribution or for foreign trade, they should be given all possible assistance and encouragement by Government and measures should be taken to promote the establishment of more such organisations in the country. A similar policy should be adopted with regard to consumers' co-operatives also. The proposed State Trading Corporation can play an important part in assisting the development of co-operative institutions. In the case of cottage industry products, as well as of other exportable commodities, the Corporation can make direct arrangements with co-operative societies of producers to obtain exportable supplies. It can similarly use co-operative societies of consumers to regulate the distribution of imported commodities. The Committee visualises that this can best be done by setting up a network of co-operative consumers' stores with an apex store in each State directly linked up with the State Trading Corporation. Care must be taken to see, however, that co-operation is not used by speculators and black-marketeers to effect a back-door entry into the trade. Co-operation falls within the purview of State Governments, but the Central Government can help and promote action by the States in this field by advice, guidance and co-ordination. Within the sphere of the Central Government also, a great deal can be done to encourage co-operative societies, for example, by giving preferential treatment to approved societies in the

matter of Government purchases and sales and the grant of import and export licences."

These observations of the Committee leave little room for doubt as to the important role that Co-operative Trading Organizations can play both in the internal and external trade of the country. It should be remembered that State trading in general is rather an experiment which cannot be encouraged. Greater and greater doses of economic control by the State may lead to a virtual State monopoly and dictation, giving no room for the freedom of choice to the individual, which a democratic Government should ensure. Otherwise, it would be a surer road to Moscow. Further, State trading must lead to inefficiency and mal-adminstration for the simple reason that Government officers in charge of direction of business transactions cannot be trained businessmen. It is well that the State Trading Corporation has been recommended to be formed with very limited objectives in view. Recently, a Committee was set up by the Government of India to examine the recommendations of the State Trading Committee under Dr. Panjabrao Deshmukh and on the recommendation of this Committee, the Government of India has already established a State Trading Corporation to undertake export of handloom cloth and certain selected small-scale and cottage industry products not on a monopolistic basis but side by side with private traders. It may be noted in this connection that the State may with advantage entrust trade to bigger co-operative organizations so long as it feels the necessity to control and regulate production and distribution of any commodities. But most of the co-operative organisations may not be fully equipped for the task and in that event the Governments may usefully utilise co-operatives as their agents by making the requisite funds available to them. The proposed State Trading Corporation itself may have the representation of co-operative interests on its management and a part of its capital may be specifically reserved for subscription by co-operatives. In the following paragraphs, co-operative trading is contrasted with other forms of trading, viz., State trading and private trading, which would clearly establish the claims of co-operative trading for encouragement. The points of contrast are :—

Co-operative Trading	State Trading
1. Buying and selling of consumer goods is generally undertaken by consumer co-operatives which are voluntary organizations established to supply the requirements of members. This type of voluntary and yet collective type of organisation respects the desires and preferences of its customers in the purchase or production of goods, i.e., the consumer's freedom of choice is not only fully recognised but on that basis it tries to build up a socio-economic order.	1. The State is necessarily for the whole community, and in so far as production and distribution activities in regard to consumer goods are concerned, it cannot be omniscient. Further, it cannot give freedom of choice also to the consumer. It follows a set pattern of production and produces goods which the consumer is asked to consume. Thus under a compulsory collective type of State socialism, the sovereignty of the consumer is lost. Much less can a socio-economic order be built. The changing needs of the consumer's requirements receive but little consideration.
2. On the score of management, the co-operative shop is superior to the State Shop, because it is immediately and directly under the control of the consumer-members and malpractices practised by the employees, if any, can be immediately dealt with.	2. In a Govt. shop on the contrary, malpractices cannot be immediately rectified, because the officers in charge are under the control of Govt. which is a bigger entity engaged in many more important matters. Even the control of representatives of consumers on the management is ineffective and remote.
3. The co-operative form of organization in regard to	3. The nationalized units of trade benefit the commu-

Co-operative Trading

trade is superior to the nationalized units of trade, because the benefit which the members receive is direct, immediate and is easily recognizable.

4. In the matter of getting adequate capital for its requirements the co-operative store is also at a distinct advantage over the State shop because it can tap capital from its members and other numerous beneficiaries in driblets, can accumulate large reserve funds and can persuade their members to leave with it the quarterly or half-yearly dividend on purchases, e.g., the Co-operative Consumers' Movement in England is utilising 41.3% of its available funds. The C. W. S., the biggest manufacturing and trading unit, is investing only 10.8% of its funds in business.

5. The co-operative enterprise works for the benefit and welfare of consumers, catering to their preferences and coming into personal contact with them. In all

State Trading

nity as a whole but not so directly, immediately and in an easily recognizable form. These defects reduce the effectiveness of the benefits of State trading psychologically and materially to a large extent.

4. In a State enterprise, capital and initiative for extension of activities must come from the State which is interested in many other equally important matters, and it is always short of money.

5. State enterprises work for the benefit and welfare of the community as a whole, but in a regimented, impersonal and bureaucratic manner, but this goes to reduce

Co-operative Trading	State Trading
its dealings with its customers it behaves in a polite and businesslike manner.	the benefit or utility in so far as the activities relating to the distribution and production of consumer goods are concerned.
6. Consumers' co-operatives would be able to supply practically all the requirements of consumers through the device of Federation, producing goods co-operatively and eliminating the profit motive and waste implied in competition. The rate of expansion of the co-operative enterprise is influenced by available demand and economic factors affecting the industry.	6. In a State enterprise, on the contrary, expansion in production might take place if it is socially desirable whether efficiently or not or economically or not, e. g., Sindri Fertilizer Factory.
7. In a co-operative enterprise, economy in operational cost is easily secured. The co-operative retail shops at the bottom with the Provincial and National Wholesales and International Organisations at the top forming a pyramidal structure, obtain all the economies of a giant vertical combination without the attendant evils. Savings are effected in respect of interest charges, dividend on capital, underwriting and promotional expenses, adver-	7. Under State socialism, there is no such advantage. Unlike in the case of co-operatives which are independent yet interdependent units, the advantage cannot be had, as the varying producing units are not directly interrelated to each other, and their activities are remotely and bureaucratically co-ordinated by those that are not best fitted to do the work.

Co-operative Trading	State Trading
tising, sales and distribution expenses, because units at the bottom control and finance those at the top. If the goods produced by the top units at an accounting price—the surplus over the cost of production—is passed on to the units at the bottom and goods are ultimately passed on cheaply to the consumer.	
8. Under a co-operative enterprise, the conflicting interests of producers and consumers can be in some way reconciled and a harmonious system evolved. This reconciliation is genuine and is brought about with sympathy and for economic reasons, as it is born of conviction.	8. Under a nationalised system of production and distribution, producers and consumers quarrel in the political field with a view to benefitting at each other's expense. This leads to inter-industry-feuds and the State reconciles the interests of both outwardly. This harmony is brought about for political reasons and as a measure of expediency. Hence it is bound to be artificial and indifferent.
9. In the undeveloped or under-developed countries, planning for economic development will have to be undertaken by the State and it would be pre-occupied with the tasks which are important. These relate to plan-	9. If the additional purchasing power injected into the economic system through the establishment of key industries by the State be properly utilised, co-operatives may engage in production and distribution of con-

Co-operative Trading

ning, finding the finance, establishing public utilities and key industries. Thus the State cannot simultaneously take up production and distribution of consumer goods. It may concentrate on other aspects of national economy.

10. In industrially advanced countries like Great Britain, co-operation is a working class movement, and labourers are the most dissatisfied section of the community. For alleviation of their distress, the co-operative movement strives, by mutual help and by the inculcation of habits of thrift, to contribute to their material and social welfare, and it also tries to reduce their dissatisfaction. It gives them training in business management and employs them in constructive activities and thus canalises their energy and enthusiasm for their social and economic benefit.

State Trading

sumer goods for which they are most fitted.

10. In the absence of a strong co-operative movement, the enthusiasm and energy of working classes would be exploited by politicians for their own selfish ends, as they believe in anti-social methods. Thus in every democratic country, it behoves all who have the well-being of the country at heart to foster the co-operative movement.

Co-operative Trading

1. The management and direction of a co-operative

Private Trading

1. A private dealer is interested in exploitation of

Co-operative Trading	Private Trading
enterprise are in the hands of the members themselves and hence they are carried on for the benefit of members. The employees of a co-operative store, for example, are not interested in exploiting the consumer. If they are found guilty of malpractices, they can be quickly removed by the representatives of the members.	the consumer in pursuit of his private profit.
2. Co-operation builds a social and economic theory around the service motive, Surplus profits are handed back to the contributors of those profits. It equates supply to demand and thus booms and depressions implicit in capitalistic form of production are avoided.	2. The chief defect of a capitalistic form of organisation is the dominance of the profit motive. Other defects follow from this. Production is undertaken in anticipation of demand and hence maladjustments in supply and demand of goods produce booms and depressions.
3. In the matter of finding additional capital for expansion, the co-operatives is at a distinct advantage over its rival.	3. As the profits are distributed, additional capital can be collected only with difficulty, unlike in the case of the co-operatives.
4. Co-operative consumers' societies work for the benefit and welfare of the consumers catering to their preferences and desires.	4. A capitalistic form of organization chiefly works for the welfare and benefit of the few.
5. Co-operation as a form of organization does not generally give scope for mal-	5. Capitalism as a form of organization affords scope for malpractices.

Co-operative Trading	Private Trading
practices, provided proper care is taken to select the honest staff and to supervise their doings.	
6. Co-operation as a form of organization is best suited for expansion and co-operative units try to avoid competition with each other, but gain strength because of the device of federation. Thus no conflict of interests arises between any two stores.	6. Capitalistic organizations encourage cut-throat competition to avoid which giagantic-monopolistic combinations have come into existence, exploiting consumers nationally and internationally. Government have been unable to break up such monopolies and co-operatives have proved most effective and capable organizations to break up such monopolies, e.g., in the international sphere, the Scandinavian Co-operative Luma Association has effectively fought the international cartel of bulb manufacturers.
7. The British Consumers' Movement has fed and clothed the people and is now entering new fields with the rise in the income of working class people such as cinemas, theatres, holiday resorts and restaurants. Thus full scope is afforded for organising co-operative activities to suit the needs and requirements of the people.	7. Capitalistic concerns are guided by the profit motive for their proprietors in expanding their activities and are not generally influenced by motives of economic and social service.

Co-operative Trading	Private Trading
8. In matters relating to production and distribution of goods produced there is an economy of operational cost, practised by the co-operatives,. Retail distribution of consumer goods is found to be more efficient than private shops. Co-operative production is also found to have advantages over non-co-operative production in matters relating to the cost of labour, cost of raw materials, interest charges, etc.	8. Under capitalistic organizations, economy either in production cost or operational cost is generally absent.
9. Under co-operative distribution, the organized body of consumers comes directly into contact with producers of goods, resulting in the savings of middleman's profits. Thus the consumer pays for his goods what the producer receives plus a small percentage of management expenses.	9. In non-co-oprative distribution these advantages are non-existent.
10. The superiority of co-operative form of organization is recognised by Governments. Thus co-operatives are called upon to collaborate with Govt. in economic matters, such as price-fixing, rationing etc.	10. Non-co-operative groups do not enjoy this advantage.

CHAPTER XIV

CO-OPERATIVE PROBLEMS AND CONTROVERSIES CONTD.

Employer, Employee : Relationship :—Although co-operation is not a class movement, its sympathies are, on the whole, on the side of labour. Every country in which the co-operative consumers' movement has made progress provides instances in which co-operators have gone to the assistance of labour in times of unemployment occasioned by strikes or lockouts both in England and elsewhere. This assistance has taken the form of donations of food, cash loans and gifts and other supplies. In 1913, the Irish dock-workers went on strike and were in need of food, and their Trade Union Congress in England could not help them being short of funds. Being unable to obtain a loan from elsewhere, it approached the English C.W.S. which helped it by granting a loan. In addition to the cash loan, 18 shiploads of food were also sent as part of assistance for the needy workers. Further, the idle workers got also Christmas gifts amounting to several thousands of pounds. Instances of such assistance made available can be multiplied, but suffice it to say that they demonstrate the attitude which co-operators cherish towards workers in general.

2. **Recruitment and promotion of Emplyees under Consumers' Co-operative Societies in England** :—The number of employees employed by all types of co-operatives in England was estimated to be 3,00,000 at the close of the year 1941. They include salesman, clerks, transport workers, engineers, etc., At the end of 1951 retail Societies employed 2,78,000 persons of whom 2,35,000 were listed as engaged in distribution and transport and the rest in productive services; Salesmen and administrative workers start as juniors in the retail and wholesale societies, being recruited at the elementary school-leaving age in the retail and wholesale societies and they follow a full career as co-operative employees. The C.W.S. accepts junior applicants for employment at an age ranging from 14 to 16 and

applicants have to pass an entrance examination before being put on the waiting list for vacancies. The recruitment of juniors in retail societies is generally confined to members' children. Some amount of patronage or favouritism is inevitable in making selection for posts. Close relatives of officials do occupy posts in the co-operative movement, but in comparison with commercial or other undertakings, the co-operative movement is believed to be one of the least offenders in this respect.

3. **Conditions of Service** :—The relations of the co-operative employers with their employees are cordial in most countries where the co-operative consumers' movement has made satisfactory progress, because the attitude of the employers is one of understanding and sympathy. The co-operative movement rightly takes pride in that it has provided good conditions of employment as compared to the conditions of service obtaining in other competitive industries and trades. Working conditions in private shops and departmental stores do vary widely and variations are found to exist in respect of number of hours worked, number of holidays granted, sick leave with pay, pension contributions, and the amount of wages paid. In contrast with this, it may be noted that co-operatives as employers have abolished night work, shortened working hours, provided vacations and have improved the sanitation of the shops. Again, continuous employment is provided and rigours of unemployment are modified by taking up a sympathetic attitude towards the employees. The wages and working conditions under co-operative employment have been found to be on an average better than those in similar capitalistic industries, with the exception of the salaries of the directors, superintendents, managers or other higher officials, whose salaries are on the whole lower than the scales of pay in vogue, in the joint-stock or the capitalistic private industries. The workers in co-operative societies have on their part so good an understanding of co-operation that they know that their employers cannot pay labour much more than what labour is paid in the capitalistic competitive industries. The truth of this statement is corroborated by Anders Orne in his book "Co-operative Ideals and Problems". (pp. 105) He writes :—

"The co-operative undertaking stands in the thick of the competitive struggle. It cannot demand higher prices for its services than the private business, because its members have actually founded and employ their society for the very opposite purpose of cheapening their householding. Increased expenses due to a distinctly higher wage cost, in proportion to turnover, than the private business has to meet, must correspondingly affect the prices of the goods procured or manufactured for the members, and consequently, in the long run, must lead to the decline or even collapse of the co-operative undertaking. This cannot possibly serve trade union interests. Nor can any tenable reason be advanced why just those workers in co-operative employment should be means of the sacrifices of their comrades or their class, who as a members bear ultimately all the expenses of the business of their society, and be promoted into a position of privilege and superiority. Wherever trade unions are strong and well-managed, the unwisdom of this is freely recognised in actual practice as well as in theory. Everyone should see, however, that if, because of irregularities or defects in the workers' trade union organisation, such preference or advantage is possible, open conflict can arise between a co-operative society and its staff, since the society cannot be expected meekly to acquiesce in its own injury or decease. That such conflicts have, notwithstanding, been extremely rare, is evidence that sound common sense is still, though sometimes far to seek, a force to be reckoned with."

Thus co-operative employees in most countries have no occasion to go on strike. Again, the co-operative societies have the most efficient machinery for arbitration and settlement of disputes, with the result that there are a fewer number of disputes than in the capitalistic business or under State employment. It may be noted that England is the only country where strikes have occurred in the past. The retail societies in England are affiliated to hours and wages boards which are employers' organisations formed on a district basis for the purpose of collective bargaining. These boards are voluntary bodies. Although voluntary, the membership of the boards covers societies employing a large majority of co-operative employees.

The hours and wages boards have functioned successfully, though a tendency is noticeable among retail societies to break away from the agreements and the boards with a view to improving the conditions of service or to paying higher wages to their employees. It may be noted that the machinery of hours and wages boards made no provision for conciliation, with the result that if amicable settlement failed, disputes were allowed to be proceeded with. In 1926, the National Conciliation Board was set up to remove this difficulty and to strengthen the machinery of collective negotiations and the board operates in the case of disputes not settled by amicable means. The Board has worked successfully and its machinery is not applicable to the wholesale societies. In other countries, workers under the employment of co-operatives work with a sense of realism that if wages are pushed beyond the scale in vogue in the competing capitalistic industries, the co-operatives to which they belong cannot successfully hold their own against the latter. Thus if they go on strike, they do realise that they hurt their own interests ultimately. This sense of realism is lacking among employees who are members of the Trade Union in England, which encourges the co-operative employees to go on strike and to demand higher wages than what the joint-stock or capitalistic business pays. This is attributed to the fact that in England the old idea of workers' control of industry still persists. It is unfortunate, however, that workers in England do not realise sufficiently that the workers' control of industry is impracticable, and even if it be assumed that it is capable of being translated into action, it cannot change the nature of industry, as workers' control would leave industry possessed of the characteristics of profit-seeking, implying thereby the exploitation of the consumer.

4. **Advisory Councils** :—In several co-operative undertakings it is found that the status of the worker—the wealth-producer—is analogous to the one held by a wage-earner in a capitalistic concern. He might be in receipt of a better wage or getting better conditions of work, but that is all. He is a mere employee. Though he may be eligible to become a member, he is denied a seat on the committee. Thus he may

have a voice indirectly in the control of the society in his capacity as a member, but he is not able to share its policy nor be in a position to get the training in business administration: There are two reasons which explain the existence of this sort of status of an employee—one lies in the fact that there is a difference of policy followed towards workers by the two rival theories of control of industry or business, which is fully discussed in the last chapter. The federalist theory holds that the consumer and not the producer should be the controller of industry. The second reason is attributable to administrative difficulties. Despite these difficulties or differences of opinion the theory that workers should have some share in the management of the concern to which they belong still persists and has found expression in genuine attempts made to establish joint advisory councils of employees and managing Committees. This is done with a view to enlisting the interests or sympathies of the workers in the working of the society, taking advantage of their practical experience and preventing minor disputes arising over matters of internal policy. But all these attempts have proved abortive. With the failure of these advisory councils, the question of direct representation of employees on the managing committee assumes more imporetance. The advocates of consumers' control hold that the employees can become members of any constituent retail society and as the federation is controlled by the retail societies, employees who are the members of such retail societies share the control of the federation which employs them. If this proposition were minutely examined, it will be found that the power which the employee-members enjoy in this way, regard being had to the total membership of retail societies and the federation, is so small as to be almost negligible. It is argued that industry must be controlled by somebody and that past experience has shown that if the workers control it, it is carried on for profit and if the consumers control it, it is carried on with service motive. For this reason it is pointed out that the principle underlying the consumers' control is that the organised body of consumers should control workers. In this context it is interesting to refer to the attitude of co- operators, as laid down by the Executive of the Co-operative Union in

England. The Executive is of the opinion that it is not to the advantage of co-operative societies to permit their employees or workers to occupy seat on the managing committees on the ground that employees' or workers' interests often conflict with those of the general membership and that it is essential for the good management of societies that members of managing committee should not have divided loyalties. Pointed reference is also made to the practice followed by the local self-governing bodies or the National Government, which prevents employees from being elected to their councils in the one case and to Parliament in the other. The Executive of the Union further recommended that if the societies felt that there should be an opportunity afforded to employees to serve on managing committes, their number should not be permitted to exceed two and that the candidates should be chosen from and elected by the employees themselves and not by the general membership. It would follow from this advice given by the Executive of the Union that no employee would have a right to vote for and elect any other candidate from out of the general membership. But not all the co-operative societies in England have followed this advice of the Executive of the Co-operative Union.

The number of societies which permitted their employees to elect representatives to committees, as could be seen from the records of the Union, is very small. As regards employees being elected on the managing committees, the Union's records showed that there were in 1939 100 retail societies including most of the larger ones, that permitted their employees to sit on the committees and in 60 of these societies, one or two employees were serving on the committees. There are, however, no statistics available to show how the situation has developed since 1939. In Scotland, the position is somewhat different. Not only are employees eligible for membership of constituent societies but also of the C.W.S. itself, and they are granted voting power in proportion to their total membership. If this provision could not be made in the English C.W.S., it should not have been difficult to provide for some representation of the employees either upon the boards of management or on

advisory councils charged with the duty of conferring with the Board on matters directly affecting the interests of the workers. The pioneers of the co-operative consumers movement had in their minds the idea of a partnership between the consumers and those engaged in production either of goods or services. With the passage of time many of the original ideals of the pioneers have passed into the limbo of things forgotten. The principle of giving the employees-qua-employees, some share in the surplus profits has been embodied in the rules adopted by many retail societies, in England, but the workers in the C.W.S. do not as a rule receive any share of the surplus profits made. Many co-operators feel, therefore, that such exclusion of workers from having a share in the saving is incompatible with the true principles of co-operation. It may be noted that this view is not shared by some co-operators, as may be seen from the following passage which occurs in "The Decline and Rise of the Consumers" by Horace M. Kallen (page 335) –

"But as J. T. W. Mitchell had made clear, all the difference between cost and price which remains in the treasury of a consumers society, after its books are balanced and before the dividend is distributed, has been put there by the consumer in the first place. It isn't something added from outside; it is something redistributed from within. Its relation to wages is altogether different from that of profit to wages. Although it is called profit or dividend, it is neither; it is a saving measured by spending. Even if it be true that the employee has a moral title to a share of the profits of private business, he has no kind of claim whatsoever to any of the savings of co-operative business. Those he may share only as a fellow consumer, and if he is not one, it is the simplest thing in the world for him to make himself one by joining the society which employs him, and thus becoming also his own employee."

The existence at any rate in England of the Trade Unions of Co-operative Employees to protect their interests is a clear admission of the cleavage between co-operative theory and practice in the movement. This existence of a division in the ranks of co-operators not only weakens its economic power but

also its moral influence. This is not to say, however, that employees in co-operative industries or business enjoy no privileges or concessions at the hands of their employers. In addition to the privilege of representation on the committees, many of the stores contribute for the benefit of their employees to pension schemes, sickness and death benefits, old-age insurance, in addition to the contributions required under the law. They maintain schools, provide training courses for employees and grant scholarships to encourage the employees to study. In a similar way, the C.W.S. also offers to pay tution fees of its employees attending evening classes in addition to providing better wages and better conditions of work. Thus the employer-employee relationship within the co-operative movement is itself co-operative, according to the opinion of the Secretary of the National Union of Distribution and Allied Workers.

5. **Relations with Trade Unions and Association of Employees** :—It must be said to the credit of co-operative societies in England that they do encourage their employees to join trade unions of their craft or industry. For many years, labour disputes in the co-operative movement in England were unknown and there was no organisation amongst co-operative employees. The only negotiating machinery was a joint committee of co-operators and Trade Unionists. This body worked for about a period of 30 years and perished during the World War I. In the meantime, a Union of co-operative employees had come into existence and it included all types of employees at first, and presented the case of employees at district and sectional conferences and Annual Congress of the Co-operative movement. By the year 1921, 6 Unions had sprung up in the distributive trades, craft and industries with an aggregate membership of 1,83,121 employees. Of these six unions, the National Union of Distributive and Allied Workers was the more prominent, and it had a membership of 1,19,623 out of the aggregate membership of 1,85,617 employees towards the close of the year 1931. In this Union employees are mainly manual workers, clerks and transport workers, the rank and file of the operatives of the consumers' movement. The intellectual workers like the secretaries and managers had their own

organisation in 1917. It comprised general managers, cashiers, heads of departments, accountants, secretaries, teachers, etc. This Association has focussed its attention mainly to the solution of the problems of their profession and is mainly devoting greater attention for the efficient conduct of their employer's business.

6. **Employer-Employee Relationship in the Co-operative Movement in India** :—The question of rights of employees in co-operative societies has not cropped up in this country. There were at the close of the co-operative year 1956, 2,40,395 co-operative societies in all in the Indian Union, of which agricultural credit societies operating in rural areas numbered 1,59,939. Thus the agricultural credit movement is predominant and formed 66 per cent. of the total number of societies. Because of the limited area of operation and the smaller size of most of these societies with smaller turnover of business, the secretaries employed are in most cases poorly paid. As the societies gradually grow in size and gain in stability and financial strength by being converted into multi-purpose societies, it would be possible for them to employ properly paid staff and it is a welcome sign that there has been everywhere now a shift of emphasis from small credit societies to multi-purpose societies, having a bigger size and a larger area of operation and undertaking a variety of functions. In the Bombay State, there were in all 19,447 societies, as at the close of the co-operative year 1956. Of these the primary agricultural thrift and credit and multi-purpose societies in the agricultural sector of the movement were nearly 60 per cent. of the aggregate number of societies. These societies, except a very few multi-purpose societies and taluka development associations, are small institutions, and as such, do not afford scope for employment of qualified personnel on anything like a reasonable scale of pay. They are mostly manned by local secretaries who have studied up to vernacular VII standard. From the recent investigations into the scales of pay of these employees in four districts of Karnatak by a Research worker, it will be seen that the range of salaries paid to them is hardly a living wage. The scales of pay in vogue are given below.

Range of Salaries per month. Rs.	*Percentage of Societies.*
from 1 to 5	10
6 to 15	40
16 to 25	24
26 to 49	20
50 to 75	5
76 to 100	1

If the position represented by these figures were assumed to represent the position of societies for the State as a whole, it will be seen that in 73 per cent. of societies the monthly salary drawn by a secretary was less than Rs. 25 and it is only in 1 per cent. of societies that a monthly remuneration exceeding Rs. 75 is paid. It may be noted, however, that even this low scale of remuneration constituted the major item in the cost of management of these societies which they were unable to meet un-aided. The total percentage of cost to working capital worked out as high as 5.4 on an average, and the Government of Bombay has, therefore, been compelled to subsidise them since the year 1949. The Government has placed at the disposal of the Registrar, Co-operative Societies, a grant-in-aid equal to 1 per cent. of their working capital for disbursal, subject to certain conditions. Thus it is in the other branches of the movement, particularly in non-agricultural types of larger societies, that there is any possibility of employing qualified and better-paid staff. A recent estimate of the strength of staff employed under all types of co-operatives in the Bombay State put it at 37,000 employees, of whom about 700 were found to be University Graduates. It is the Apex institutions the central financing agencies, bigger urban banks, larger consumers stores, market committees that provide employment to educated personnel with reasonable scales of pay. At present there is little or no organisation among co-operative employees in the State, nor do the co-operative institutions sufficiently realise the importance, of having properly qualified and well-paid staff in the responsible positions, nor do they appear to have assessed the risk implicit in running institutions with

employees ill-equipped for their work. In view of the immense possibilities of expansion of the Co-operative Movement in the near future in diverse directions in most of the co-operatively developed states and advanced states also it is increasingly realised that members of the staff under co-operative employment not only require to be trained in theory and practice of co-operation, co-operative banking and marketing but also specialised courses of training in industrial co-operation and consumers co-operative movement have to be provided. In addition to theoretical training they also require field training so as to fit them properly for their ever-increasing responsibilities implicit in the expanding movement. It is with a view to meeting the shortage of trained personnel that a Central Education Committee is jointly set up by the Government of India and the Reserve Bank of India. This Committee is set up under the Chairmanship of Shri. V. L. Mehta, the veteran Bombay Co-operator and has representatives on it of the Co-operative Departments of some of the States, Officers of the Reserve Bank of India and Ministry of Food and Agriculture; It administers the Training Schemes for Higher and Intermediate Grade personnel. The Committee has expanded the facilities available at present at the All India Co-operative College at Poona. The Scheme of training sponsored by the Reserve Bank of India for the benefit of higher personnel of State Co-operative Departments or Key Institutions six years ago has been further expanded to meet the needs of all the states. Further the Committee has set up four more regional training institutes in the country for training intermediate grade personnel. The scheme of Co-operative Training further contemplates that State-wise arrangement should be made for the training of all other personnel including members, directors, secretaries of societies and all village-level and other workers-officials as well as non-officials. It proposed to subsidise the State Governments for financing the latter parts of the scheme out of the provision of ten lakhs made in the Five-year Plan. The Committee has further granted several financial concessions to the prospective trainees with a view to removing financial impediments to the full use being made of the training centres by State Governments and Co-operative Institutions.

It is high time, therefore, that the employees of the Co-operative Institutions should come forward in large numbers and organise themselves into an Association of their own not only for the betterment of their conditions of service and improvement of their duties by availing themselves of the generous facilities for their training and education that are going to be made available under the joint schemes sponsored by the Government of India and the Reserve Bank of India.

As the Co-operative Movement in India is still in its infancy in the field of cottage and village industries problems relating to workers' control of industry or their representation on the managing bodies qua-employees have not yet cropped up.

CHAPTER XV

CO-OPERATIVE PROBLEMS AND CONTROVERSIES CONTD.

The State and the Co-operative Movement :—This subject can be viewed from two different points of view, viz.,

(1) the attitude of the State towards Co-operation and

(2) the attitude of Co-operatives towards the State.

Let us first examine the attitude of the State towards the Co-operative Movement. This may vary from hostility to over-sympathy. Political antagonism may be reflected in an unjust taxation policy based on the failure to distinguish a co-operative from a joint-stock company or a capitalist concern or it may be seen in the enactment of legislation which seeks to prevent the application of the co-operative technique. Opposition of a totalitarian Government towards co-operatives may be prompted by a desire to exercise control over the affairs of co-operatives and to prevent the application of the co-operative principles underlying the co-operative movement, because the Government abhors the spread of democracy. Another instance of hostility of a Government towards co-operatives may be found in a policy of nationalization followed by a Socialist Government in sectors of the economy in which the co-operative movement is safely entrenched. Co-operatives may again be threatened by the continuous growth of the schemes of marketing and production controlled by the members of a particular trade but invested with governmental authority. Indifference of Governments towards the co-operative movement in some countries is a serious problem. This indifference may be reflected in the lack of proper legislation to protect the interests of co-operatives or the failure to collect and publish statistics relating to co-operatives or to do any service to them. As against these attitudes, there are many instances also on record in which the governments have been over-liberal in their financial assistance to co-operatives doing a disservice to the co-operative movement, as the fundamental principle

underlying the co-operative movement is self-reliance. The result of this policy has been that co-operatives come to be established before they are able to stand on their own legs having no genuine co-operative spirit amongst their members. What is expected on the part of Government is a well-balanced attitude towards co-operatives, that is to say, the State should help the co-operatives to help themselves.

2. Speaking on the occasion of the founding of the Department of Agriculture and Technical Instruction in Ireland, Sir Horace Plunkett laid down that State assistance should be so given as to evoke and supplement but on no account to provide a substitute for voluntary effort. The question of the proper relation between the Irish Agricultural Organisation Society and the new Department required to be settled and the idea accepted was that Government assistance should be given for educating the people in the business of agriculture and in the principles and methods of co-operation. It is the part of the Government to prepare people for such business as lies before them, but not to help in actually carrying on business. This view of Sir Horace Plunkett appears to be a sound appreciation of the relation of the State to Agricultural Co-operation.

3. **Difference between India and Europe** :—The essential difference between India and the European countries like England, Germany and France is that the co-operative movement was intiated by the people themselves in the latter countries under their own trusted leaders who felt the pressure of adverse economic conditions and sought for a co-operative solution. At first, the attitude of the State, instead of being sympathetic was one of positive hostility. It was only when the co-operative idea had been tried and had proved its usefulness to the community that the State recognised its obligation to support it. It has however, been just the other way about in India. The initial impulse for the introduction of the co-opetive movement came from the Government; the prejudice was not on the part of the State but chiefly amongst the money-lenders who saw in the co-operative movement their rival and

apprehended that their occupation was gone. It was an official of Government—Sir Fredrick Nicholson—who first advocated the establishment of Village Banks in India. Again, it was the Famine Commission of 1900-1901 that officially put forward the Bill for starting credit co-operatives for the removal of rural stagnation, and it was some officers of Government again who were experimenting with starting of credit co-operatives in some parts of Northern India. Further, it was the Committee under Sir Edward Law—an Official Committee—that recommended the formation of credit co-operatives in India and on whose recommendations the Imperial Legislative Council enacted the first Co-operative Credit Societies Act X of 1904. Finally it was the official Registrars who were charged with the duty of organising societies in implementation of the provisions of the Act in various provinces. The State in India is, therefore, identified in a very intimate way with the co-operative movement in its early stages. No doubt the co-operative movement, though voluntary in its character, has built up relations with the State everywhere but the relations that have developed in India between the State and the co-operatives are not to be found in any other democratic country, and the special feature of this relationship is a wide authority which the Government and its officers exercise over the working of co-operative societies. The reasons for this state of affairs are partly historical as already mentioned, and partly political. In no country does the bureaucratic government, which India had before the attainment of Independence, permit the transfer of powers-economic and political to the democratic self-governing bodies responsible to their constituents. The problem in this country has been, therefore, one of gradually surrendering the powers exercised by the State and its officials in the matter of organization, management, control and supervision of societies.

4. **Reasons why official control has remained for a long time in India** :—In view of the circumstances already referred to, co-operation has remained a policy of Government in India rather than a movement of the people run by the people in most of the States because in introducing the co-operative

movement the Government had one narrow objective in view, viz., the solution of the problem of rural debt and not the socio-economic regeneration of the masses in general, so as to increase their standard of living. With such a limited purpose and without adequate response from the people, co-operation remained mainly the concern of the State through the Co-operative Departments. Hopes were entertained that non-official workers would, in course of time, come forward in adequate numbers to shoulder the increasing responsibilities both in the matter of creating new organizations and working the existing ones, so as to make the co-operative movement gradually independent of official control. But these hopes, however, did not materialise due to various reasons. In the first place, the movement did not arouse sufficient enthusiasm amongst the intelligentsia whose energies were, for a considerable length of time, more bent towards the attainment of Swarajya than the achievement of social and economic regeneration of the masses. Even that more highly organised body the Indian National Congress—did not evince much interest till recently in promoting the co-operative movement, as it regarded the co-operative movement merely as an official or semi-official activity affording little or no scope for the exercise of initiative and of freedom of planning suited to the national interests, Secondly, certain administrative difficulties have come in the way of proper development of the co-operative movement in the past. It was the moral responsibility of the State to see that the co-operative movement developed on right lines and this responsibility was discharged by the State in an indifferent manner, with the result that the equipment of the Co-operative Departments remained woefully inadequate to make its own contribution to the economic development of the country. Thirdly, the nation-building departments of the State which were expected to work in closer co-ordination with each other and utilise the co-operative movement for the amelioration of the socio-economic conditions of the people functioned in isolation of water-tight compartments, so that State effort could not be properly harnessed for the betterment of the lot of the people. Lastly, the co-operative movement in India, as elsewhere, was severely tried by the impact of the economic de-

pression of the 1930's and in those States where the financial resources of the movement were large and arrangements for official supervision were adequate or effective, the results were not so disastrous, but in those States where the foundations of the movement were shaky, built as it was in the pursuit of a policy of planless growth, the movement received a severe setback and even collapsed. Government had, therefore, to come forward to resuscitate the movement in those areas extending to it the requisite financial assistance and other forms of State-aid. The result was that co-operative laws that were passed in some States for the purpose of rectifying and consolidating the movement and to build it anew, conferred greater powers on the Registrars and official control was so tightened as to make the Registrars the virtual dictators—the only remedy that was found suitable to the official mind in the circumstances then existing.

5. The advocates of official control further claimed that lack of education and organization among the agriculturists, want of leadership, absence of contact between town and country had all been responsible for the close association of the official administrative machinery with the co-operative movement, and it is also contended by them that official control also tends to inspire confidence among investors. It has been further averred that the growth of federal supervising and controlling agencies in this country has been very slow and in cases where authority was delegated to such bodies, the results have been none too encouraging. Since a number of concessions and privileges are conferred on co-operative societies, it devolves on the Registrar to see that such concessions are not misused by societies. As against these arguments put forward by the apologists of official control, the advocates of the progressive deofficialisation of the movement rightly emphasise that whatever circumstances might have been responsible in the past for the slow progress of transfer of powers to unofficial hands, perpetuation of official control is a negation of the principles of democracy on which the movement is based. They further point out that in no province was there a transfer of power to federations which were indepen-

dent of the Registrar's control. Objection is also taken to the wide powers of control and supervision of the Registrar, who is functioning as the Brahma, Vishnu and Mahesh of the co-operative movement—creator, protector and destroyer. The Registrar has, it is argued, unfettered discretion in the matter of registration and amendment of bye-laws, the holding of enquiries and inspection, the control of audit, arbitration and liquidation. There are additional powers vested in him under the provisions of the Bombay Co-operative Societies Act, VII of 1925, as amended from time to time, in respect of the levy of penalties for misfeasance and the institution of prosecution for offences. In addition to the powers eijoyed by him under for offences. In addition to the powers enjoyed by him under the Act, other powers are also conferred on him in virtue of the rules under the Act, having the same effect as the Act itself. A number of powers vested in the Registrar are of a quasi-judicial nature and he virtually takes the place of a court of law. These powers relate to the holding of enquiries and taking of inspection, appointing arbitrators to settle disputes and passing final orders in matters relating to the winding up of the affairs of societies taken into liquidation. He may also impose penalties or fines for misfeasance and launch criminal proceedings. What is objected to is not the exercise of judicial authority by the Registrar, but that he should not be allowed at the same time to exercise executive authority. If however, a choice has to be made between executive authority and judicial authority, the choice must lie in the direction of retention of judicial functions by the Registrar divesting himself of his executive authority.

6. Whatever might have been the justification for centralising authority in one individual official—the Registrar of Co-operative Societies—in the early stages of the movement, hopes were entertained at least in the Bombay State even in those early days that in course of time the concentration of authority might give place to delegation of functions and decentralisation of authority. This is clear from the Policy statement contained in the prospectus of the Bombay Provincial Co-operative Institute issued at the time of its registration,

in the drafting of which the Registrar himself had a hand. The excerpts from this prospectus are as under:—

"The policy has accordingly been enunciated that the future guidance and control of the co-operative movement should be with the three more or less co-ordinate authorities—the Registrar responsible for seeing that the Act, the Rules and the Bye-laws are not infringed, that fundamental principles are not disregarded and that the regular audit is made of every society; the Bombay Provincial Co-operative Bank undertaking the financing, assessing and organising its credit, acting as a balancing centre and serving as a channel between co-operative units and the outside money market, and the Central Institute focussing every form of co-operative endeavour, responsible for all forms of co-operative propaganda, education and enquiry and representing independent co-operative opinion on all questions affecting the movement."

It is pertinent here to refer to an important pronouncement of the policy on behalf of Government as contained in the Government of India's Resolution as early as in the year 1914, which, in principle, accepts the view enunciated above. The relevant portion of the Resolution reads :—

"Not only is it the case that work done by a large centralised Department tends to become mechanical and listless but the movement must in its essence be a popular one and nothing should be done to weaken the movement that is based on self-reliance and independence. Government, therefore, must not, in the best interests of the movement, allow co-operation in this country to become an official concern managed by State establishment."

This view, however, was not unfortunately adhered to by Government and in 1916 it accepted the policy of the Committee on Co-operation in India implicit in the following statement:—

"We cannot subscribe to the disappearance of the post of the Registrar or the transfer of his functions to a non-official

agency, nor can we contemplate the continued development of co-operation on any other condition than the permanent maintenance of an efficient and adequate staff under Registrars."

This view of the Committee on Co-operation was endorsed ten years later by the Royal Commission on Agriculture in India.

7. Though a certain amount of reluctance is found on the part of Government and its officials to part with authority exercised by them, great changes have occurred in several directions during the last quarter of a century. There has been a steady growth of federal and supervising agencies, district federations and provincial institutes manned by persons animated by the spirit of social service in various provinces or states which are ready to undertake activities relating to the organisation and guidance of the movement in collaboration with the Co-operative Departments. Again, these agencies can very well undertake the functions of supervision, replacing the present staff of petty officials employed for the purpose. Such supervision by officials of Government is everywhere rightly denounced as deceptive, and M. Lougi-Luzzatti once observed that it is better to have no supervision at all rather than have such State supervision. The advocates of the reduction of official control further emphasise that more vital to the co-operative movement is the question of formation and control of policy by the Registrar. Because the Registrar is regarded as the guide, philosopher and friend of the movement with wide statutory and non-statutory powers to back him up, it is his voice that prevails as to what action should be taken in implementation of that policy. A practice has also grown up during recent years of referring to Government every question arising out of the day-to-day problems of the movement thus literally justifying the criticism that co-operation is merely a governmental policy and not a live movement. It is further pointed out that pretty little has been attempted by Government in diffusing literacy and organising adult education among the members of societies in order to place the economic

democracy that co-operation is on sounder foundations. Similarly nothing has been done in regard to research on subjects that have a bearing on the co-operative movement.

8. It is obvious that the co-operative movement can go forward on condition that the people in charge of the co-operative institutions are trusted with power and responsibility which must go hand in hand. The consensus of co-operative opinion is that it is better for the people to be free to commit mistakes in the management of their co-operatives, so that they might learn a lesson thereafter to avoid such mistakes rather than save them from the risk of making mistakes. If the real popular character of the co-operative movement is to unfold itself and if the movement were to play its proper role in the socio-economic development of the country, it is necessary that Government should accept the position that internal control is always a more effective substitute than control by an outside body and that an increasing amount of participation of non-officials in consequence in its control and direction has been overdue at least in the co-operatively developed States. Since the advent of political independence and the establishment of the Republic of India, a democratic State has been set up. The objectives of such a Government have been stated to be to promote liberty, equality and fraternity and social justice as between man and man. The co-operative movement has also been accepted as a fitting medium for the fulfilment of these objectives. In planning for the economic development of the country, the co-operative method of organization has also been recognised as the most suitable for adoption in the various sectors of the economy. Planning implies direction by the State and the All India Co-operative Planning Committee has visualised official guidance in co-operative planning as in any other kind of planning. It is in this respect, therefore, that a change is expected to occur in the relationship between the State and the co-operative movement in future on a greater scale than has been possible hitherto.

9. It would be pertinent in this connection to make mention of the steps taken in the Bombay State so far for translating

this policy of deofficialisation into practice and the various measures; both legal and administrative, in this behalf are listed below :

(A) **Changes effected in the Co-operative law:**—(1) The Provincial Co-operative Institute has been invested with the power of sanctioning payments for charities proposed to be spent by societies from out of their profits.

(2) The Chairman of the Bombay Provincial Co-operative Institute has been empowered to hear an appeal under Rule 45-A against the decision of a consumers' society refusing admission to membership to a person without sufficient cause, if it is not affiliated to a federal body. Likewise, under Rule 47-A, a member of a consumers' society who carries on business of the kind carried on by such society shall not be eligible to be a member of the committee of such society without the general or special sanction of the President of the federal society to which the said society is affiliated, or if it is not affiliated to any federal society of the Chairman of the Bombay Provincial Co-operative Institute. Where such a person has already been elected as a member of the committee without the sanction of the President of the federal society or of the Chairman of the Bombay Provincial Co-operative Institute, such a person shall cease to be a member of such society upon receipt by the committee of a written requisition in this behalf from the President of the federal society or of the Chairman of the Bombay Provincial Co-operative Institute.

(3) The Provincial Co-operative Institute has been recognised as the only body competent to handle co-operative education in the Bombay State. A full-fledged All India Co-operative Training College—the only one of its kind in India—is being run under its auspices. It imparts education to both the officials and non-official workers in the movement. Liberal grants are provided to the Institute by the State Government.

(4) A non-official Co-operative Tribunal has been set up in order to hear the appeals against the orders and decision of arbitrators and it has assumed powers which once vested in the

Registrar under Section 56 of the Bombay Co-operative Societies Act.

(5) The audit of important classes of societies and banks is being done by the Professional Certified Auditors on the approved panel of the Registrar and about 2000 societies and banks are in this way transferred to the jurisdiction of the Professional Auditors.

(6) In order to stabilise the finances of the Provincial Co-operative Institute, it is permitted to levy a rate of contribution under Rule 26-A according to a graduated scale dependent on the rate of dividend declared by a society, with limited liability, towards the educational fund of the Institute, provided the profit made by such society is Rs. 200 or more and the rate of dividend declared is not less than 4%.

(7) The Bombay Government has taken powers under Section 37 of the Act to enable it to permit any bank or society to invest its funds in non-trustee securities, and Rule 27 also has been suitably amended, permitting such investments in non-trustee securities up to a specified limit mentioned therein.

(8) Additional protection has been afforded to the lendings of co-operative bodies and the privileges enjoyed for the recovery of the loan outstandings have been extended.

(9) A special procedure has been prescribed for the organisation and working of co-operative farming societies.

(10) The field of investment for the funds of co-operative societies has been enlarged, as already mentioned, and the powers of borrowing of central and urban banks have been liberalised. Everywhere, co-operative law is undergoing changes suited to the rapid economic developments that are taking place. The Law Committee appointed by the Government of India has recommended a set of model Acts and the Rules thereunder, for adoption by the States with such modifications as are absolutely necessary to suit local circumstances. Similarly, the Government of Bombay appointed some time back a Law Committee, under the chairmanship of Shri G. M. Laud to suggest suitable modifications in the existing law and

the Committee has submitted a report which is still under the consideration of the State Government and co-operative workers.

Likewise the Madras Co-operative Societies Act 1932 has undergone modifications some time ago and the draft bill is still before the Madras Legislative Assembly. The recent Committee on Co-operation under the chairmanship of Shri Narayanswamy Pillai has suggested certain amendments to the Act as a result of their recommendations and these are still under the consideration of the State Government.

(B) Developments that have taken place in the sphere of Administration :—(1) In pursuance of the recommendations of the All India Co-operative Planning Committee, a Co-operative Council has been set up with the President of the Provincial Co-operative Institute as its Chairman consisting of officials and non-officials for the formulation of co-operative policies and programmes from time to time and for the co-ordination of their efforts. This body is a link between Government officers in the nation-building departments, co-operative workers and leading non-officials.

(2) In the sphere of co-operative banking, the Co-operative Banks' Association under the leadership of the Bombay Provincial Co-operative Bank, frames important policies and programmes. It has already been in the field for the past 14 years. Thus the initiative for tackling major issues in regard to co-operative finance lies with this body, which is known as the "Bombay Co-operative Banks' Association."

(3) On all important questions of general policy, it has been common now for the Co-operative Department to consult apex bodies such as the Bombay Provincial Co-operative Bank, the State Supervision Board and the Bombay Provincial Co-operative Institute.

II. Attitude of the Co-operative Movement towards the State :—In order to safeguard its own interests and to ensure a

fair treatment at the hands of Government, three courses are open to the co-operative movement to follow :—

It may enter into politics by forming a party of its own or it may support any other party which is friendly to it or it may adopt an attitude of neutrality.

The active participation of the co-operative movement into politics has been a rare phenomenon. Even in Great Britain the co-operative movement was content for a long time to leave its interests watched by a Parliamentary Committee, one or two members of which used to put forward the co-operative point of view in Parliament whenever needed. This attitude was maintained in spite of the spread of the socialistic ideas which had influence on the co-operative movement. The conditions created by the World War I brought about a change in this attitude. Co-operatives, in spite of their support to Government were neglected and passed over in favour of middlemen and were subject to excess profits duty. Consequently, a National Co-operative Representation Committee was organised with the express object of getting direct representation in Parliament, and on other administrative bodies for co-operatives and the societies undertook to provide the funds for making grants in support of candidates and for political propaganda. In the elections to Parliament in the year 1945 the Co-operative Party secured 23 seats. In spite of this political turn in Great Britain, political neutrality as being the only sound policy for the Co-operative movement is emphasised at the Congress of International Co-operative Alliance. In a paper read at the twelfth Congress this viewpoint is emphasised in no uncertain terms, as would be seen from the extracts given below (Vide 'Co-operation in India and Abroad' by S. S. Talmaki-page 465).

"The twenty-eight Weavers had assuredly other interests besides their Co-operative Banking; they lacked nothing in political fervour. But they saw that these two interests must of necessity be kept apart as they would not mix. They were moved partly by a natural desire to avert squabble and dissension among the members. . .If such discretion and impartia-

lity were necessary in those days, the reasons for holding fast to that view and position are much stronger now... Infinite mischief would be wrought if, for instance, Denmark's farmers should make their Co-operation serve as handmaid to the political party to which individually they all belong, or if Sweden's workers should demand that Swedish Co-operation should support the party to which, separately or collectively, most of them are attached. ... The result of this neutrality is that men from very different social strata have become interested in the movement. ... If co-operators, in their co-operative meetings, debated political issues and excited themselves into resolutions thereon, these critics might, perhaps, for a little while, be happy. Their burblings ask merely for wrangling and division in Societies, for the members who are keen politicians would as vigorously argue and prefer their views, grouping with kindred spirits for the purpose. The opponents of co-operation stigmatise the Movement as Socialist. ... They know that if only they can convert or pervert the Co-operative Movement into a religious or political coterie, its progress will cease. ... In some countries where Labour dominates, there is greater difficulty in maintaining full neutrality. The co-operative programme is even here so well conceived that where it is respected no one member can ever trespass on the equal privileges of another."

2. **Official Support to other Parties** :—Political neutrality was the creed of the Rochdale Pioneers and for very good reasons the co-operative movement should remain aloof from politics and political parties. In the first place, co-operation mainly works in the social and economic fields. If it aligns itself with a political party and if that party comes to dominate the country after its victory at the polls, it might try to administer the industries which co-operative movement aims to administer. Thus a conflict may arise between the two. Again, there is a danger of arousing the hostility of the party in power if the one supported by the co-operative movement is defeated at the polls. Thus the political parties have got their own reverses and ambitions and it is always safe for the movement to hold aloof. This is not, however, to say that the co-opera-

tive movement should not oppose a party which has set before it planks in its programme of work inimical to its interests.

3. **Political Neutrality** :—Co-operation is fundamentally a socio-economic movement and one of its basic principles is neutrality in matters relating to politics, religion and other activities, which have the effect of causing a division in its ranks. The principle of self-reliance which the co-operative movement follows has a direct bearing on its relations with the State. Co-operative philosophers are divided on the question of relationship of Co-operatives and the State. We find that there are three schools of thought in this matter. One school of thought sticks to the traditional principle of political neutrality and holds that since co-operation has a role to play in the economy, it should not seek to substitute itself for the State. Anders Orne, a leading co-operative worker in Sweden, is the exponent of this view and expresses it in the following words —

"According to our version of the general conception of the State to which any consistent co-operator in our opinion must subscribe, it ought to be still clearer for everyone that Co-operation cannot, without betraying its very mission, place itself under the economic guardianship of the State or allow itself to be transformed into an instrument of the State's general policy. It aims higher and further than national States.

"On the other hand, Co-operation is in no way hostile to the State. It subordinates itself loyally and readily to national jurisdiction as the State is, and always will be indispensable for the protection of right and justice in the broadest sense, for ordinary education, for care of the sick and feeble, and for a number of other similar duties. But at the same time it considers free co-operation of the people to be preferable to compulsory organization for the satisfaction of human needs."

A second school of thought disapproves of the policy of political inactivity and is in favour of the adoption by co-operatives of active participation in governmental affairs. The

late Prof. Harold Laski in an address to a Co-operative Congress, endorsing this attitude said :—

"Historically, every class, as it rises, seeks to capture the state as the one instrument through which its interest as a class can receive a full expression. Unless you are prepared to aid in the capture of the state, you cannot hope, especially as the realm of private profit shrinks, to maintain effectively the principles of your movement. That means, I venture to urge, a full entrance of co-operation into the political field with all the strength and energy at your disposal.

A third school of co-operative thought while adhering to strict political neutrality, believes that the co-operative movement would ultimately replace the State. Dr. J. P. Warbasse has been the exponent of this view. In his book "What is Co-operation?" he writes :—

"When we look into history we see, that the state was created by the dominant forces in society to protect themselves from the rest of the people. It was created by a minority element to protect themselves from the majority. This has always required force. There is no State without repressive laws, penalties police, soldiers, and jails. We find that states and governments started as movements of a privileged class—nobles, lords, and kings—to have their privileges legalized and made secure. The State has always been more concerned for property than for people."

In 'Co-operative democracy' he makes his view-point clear in the following words : (pp. 137-138) "Evolution may Substitute Co-operative democracy for the State. This is now to be seen in many countries, coming about as a continuation of the growth of the co-operative method of organization and its encroachment upon the dominant system of society", The beginning of this organization of society now exists in the Co-operative Association. These are (1) the local societies. Next comes (2) the national society which is a federation of the lesser organizations; Forty such national societies exist and are United in (3) the International Co-operative Alliance : Here is the frame work and the beginning of the Co-operative Society of the World."

CHAPTER XVI

CO-OPERATION AND STATE-AID

1. Why Government should support the Co-operative Movement? :—The growth and stability of a co-operative movement is not a matter to which the Government of any civilised and progressive country can remain indifferent. Least of all can such matters be neglected in a country such as India in which a great majority of the people are illiterate and ignorant of business principles and have a low standard of living. The illiteracy of the people makes it difficult to depend on any other method than the co-operative in the matter of raising their standard of living, while the low standard of living makes it imperatively necessary to raise their social and economic level, because co-operation is more a vehicle of adult education than an economic instrument. Besides, the co-operative plan is a simple one and easily understandable by the simple folk; it brings them together in a closer association, so that those who wish to help them can do so easily through their leaders and can teach many of them at one and the same time.

It has already been pointed out that some governments in Europe were at first suspicious of co-operative associations until they proved their utility to the community. But the position has now changed, as all governments acknowledge that the co-operative movement has the effect of stabilising agriculture, trade and industry and thus indirectly of stabilising the State itself. It has been further recognised that the greatest danger to every State arises from the swelling of the ranks of the proletariat who have no stake in life and who are consequently very easily prone to imbibe the principles of communism. Again it is also being increasingly realised that the co-operative movement has been a great stabilising factor in that it is helping the proletariat in coming by and acquiring property and that wherever the people are so helped, they are reluctant to take part or lend their support to a movement which has the effect of endangering their State or undermining the stability of their Government. Moreover, everywhere co-

operation is now looked upon as an agency for the socio-economic betterment of the people and sometimes as the main instrument of a national reconstruction. It is the duty of every civilised modern government, therefore, to come forward to give its full support in all possible ways to a movement whose work has the greatest possible influence in ensuring peace and prosperity of a country. But it should be noted that not all forms of assistance are equally good and some of them may be positively harmful.

2. Is State-Aid Compatible with the Principle of Self-Reliance underlying the Movement? There are some who urge that inasmuch as co-operation is nothing but self-help for the purpose of mutual help, State aid in any form should be anathema to it. In a country like England where the co-operative movement assumed principally the form of consumers' co-operatives, it was started without any State help. British writers, therefore, on Co-operation express themselves against state help being given to the movement in any form. Similarly in France and Germany, the co-operative movement was initiated by the people themselves without the intervention of the State. All that the State did was to pass laws facilitating the formation of societies and remitting fees payable to the State in respect of stamp duty, registration, income-tax on profits. Beyond this, the co-operative movement in England and Germany repudiated patronage of the State. All that was asked for was "A fair field and no favour."

Objections to State-help are certainly based on valid grounds. It is undeniable that State-help tends to be destructive self-help and demoralising in its influence, if it is extended for prolonged periods or if it is indiscriminate or made to primary units direct in disregard of the existence of central agencies. But there are certain exceptional circumstances in which direct financial aid by Government becomes necessary. These circumstances are :—

(1) In a country like India having a backward economy, the backward areas or groups would have to be brought to the

level of economic and social development of the normal areas or groups, and for this purpose State-aid will have to be made effective through co-operation, the particular form of co-operative solution differing according to the needs of the particular situation.

(2) For the development of rural and cottage industries or for the purpose of organising production through co-operatives, encouragement to the growth and development of co-operatives organised in those sectors may be decided upon by means of loans, subsidies or guarantees as the most suitable means of striking a healthy balance between agriculture and industries in the rural areas.

(3) Formation of co-operatives among the Adiwasis or aboriginal or hill tribes or among certain sections of the depressed classes may be helped forward by means of grants or subsidies or loans free of interest or at lower rates of interest and spread over a sufficient number of instalments.

(4) Co-operative enterprises such as housing societies in congested towns or cities for providing proper shelter to the lower-income groups or wage-earners or societies meant for the joint sale of produce of the agriculturists or the artisans may be deserving of State-aid and support.

(5) State assistance may be given for the purpose of organisation and development through the apex federal bodies such as the Provincial Institutes and the Unions.

3. Forms State-Aid may take : Government Assistance classified :—Under the Montagu-Chelmsford Reforms of 1919 Co-operation became a transferred subject and was placed in charge of a Minister responsible to Legislature. Since that time, the popular ministries in charge have been taking keen interest in the promotion and progress of the co-operative movement in India. The policy of financial aloofness pursued by the Government of India up till then came to be modified. With the coming to power of Congress Ministries in various

States and particularly after the attainment of Political Independence, it has been increasingly realised that in a predominantly agricultural country like India where the agriculturists are as a class illiterate and economically, intellectually and socially backward, the improvement of their socio-economic condition should be the prime consideration of the State. The Congress Ministries in various States accordingly passed a number of legislative enactments designed to better their lot. Instances of such measures may be found in the Enactment of Debt Relief Acts, Moneylenders' Act, Consolidation of Holdings' Acts, Tenancy Laws, etc, State help to the co-operative movement may assume various forms and an attempt is made below to give a brief account of the various kinds of aid given by governments in India and particularly in the Bombay State:—

3 (1). **State Help through Legislation** :—Governments in India have been endeavouring to amend the Co-operative law in operation in the various States from time to time, so that it may be in consonance with the requirements of the co-operative movement which has been ramifying in different directions. Many of the provisions in the existing Acts in several States have, therefore, undergone considerable changes and in a few of them the Act II of 1912, which was in vogue, was replaced entirely by a new one. Some changes also took place in the provisions of the existing State co-operative laws.

(a) **Assam, Delhi, Mysore, Jammu and Kashmir**:—In Assam and Delhi, entirely new Co-operative Societies Acts were passed replacing the 1912 Act. The Assam Act came into force from 1st April 1950, while the Delhi Act—modelled on the Bombay Co-operative Societies Act—became effective from 8th January 1949. In Mysore, the Co-operative Societies Act underwent further changes and the Jammu and Kashmir Act was also amended during 1949-50.

(b) **Hyderabad, Orissa, Travancore and Cochin** :—During 1951-52, the State Governments of Hyderabad and Orissa passed new Co-operative Societies' Acts to replace the existing

legislation which had proved inadequate to meet the current needs of the co-operative movement. The Hyderabad Government amended the Land Mortgage Bank Act and converted it into 'Co-operative Land Mortgage Bank Act'. In the State of Travancore-Cochin, the Travancore Co-operative Societies Act and the Cochin Co-operative Societies Act were consolidated into a single Act for the whole of the State.

(c) **Madhya Pradesh, Manipur, Himachal Pradesh and Orissa** :— In Madhya Pradesh, two new sections were added to the Co-operative Societies' Act in 1953, one regarding the deduction of amounts due to societies from salaries of members and the other relating to the powers of the Registrar to dissolve the committee of any registered society in certain circumstances. Manipur, which had no Co-operative Societies Act of its own, adopted the All-India Act of 1912, and the rules framed thereunder by Assam were adopted. In the case of Himachal Pradesh, when the Co-operative Societies Act II of 1912 was in force, an amendment of the Punjab Rules under the same Act was adopted to the effect that when Committees of societies did not work or where they were guilty of maladministration, the Registrar could suspend them and appoint an Administrator in their place. In Orissa, the Co-operative Societies Act passed in 1951 could not be brought into force, as the rules framed under the Act were still under examination.

(d) **Madras, and Bombay** :—Several amendments to the existing Act in Madras were also effected. The amendments carried out sought, inter alia, to exempt audit unions, district federations, language federations, supervising unions and training institutions from the levy of audit fees and to prohibit a registered society from admitting members within thirty days prior to the date of its Annual General Meeting. Among the more important of the amendments to the Bombay Co-operative Societies Act was one which permitted the State Government to contribute to the share capital of co-operative societies and to guarantee the repayment of share capital of a sociey to its members or the payment of dividend or both. Among the amendments to the Rules made was one that sought to revise

the maximum borrowing power of the Bombay State Co-operative Bank from 12 times to 15 times the share capital and reserve. Another was aimed at removing the restriction imposed on the same person becoming a member of two credit societies. Under the new rule, a person could be a member of two or more societies but could borrow only from one society certified by him. During the year 1953-54 a number of sections in the Act as also rules framed thereunder underwent further changes. One of the amendments to the Act prohibited any person who was incompetent to contract from becoming a member of a society. By another amendment the Registrar was permitted to extend the period allowed for holding the Annual General Meeting of a society by a further three months and to impose a penalty on its office-bearers and officers for failure to hold the meeting within the period allowed. By another amendment, the Central Financing Agencies and other societies approved by the Government were enabled to take declarations under Section 24-AA of the Act from individuals who owned lands and to whom they provided finance direct. The Rules under the Act were also amended in 1953 to raise the borrowing power of the State Co-operative Bank, the Central Financing Agencies, Co-operative Urban Banks and Land Mortgage Banks. In the Bombay State, the Government realized long ago that for the amelioration of the social and economic condition of the agriculturist, certain legislative measures were necessary such as the prevention of fragmentation of holdings, assurance of a fixity of tenure for the tenants, prevention of exploitation of the agriculturists by moneylenders, scaling down of debts of agriculturists groaning under the heavy burden of debt, the assurance of a fair price by preventing the exploitation of the agriculturists in the disposal of their produce by the middlemen, provision of cheap finance for cultivation and marketing of crops through the co-operative agency. The State Government has accordingly enacted a series of legislative measures like the Bombay Prevention of Fragmentation of Holdings and Consolidation Act, the Bombay Tenancy and Agricultural Lands Act, the Bombay Moneylenders Act, the Bombay Agricultural Debtors Relief Act, the Bombay Warehouses Act, the Bombay Agricultural Produce Markets Act.

(e) **Debt Relief Legislation in States** :—Debt relief legislation enacted in earlier years for reducing the burden of accumulated debts continued to be in force in several of the States in India, and the latest addition to such legislation was a Debt Relief Bill that was passed into law in Himachal Pradesh by the State Government in 1952. Saurashtra followed suit by passing the Agricultural Debtors Relief Act in the succeeding year. In this context it would be useful to make a reference to the working of the Bombay Agricultural Debtors Relief Act in view of the important role which the co-operatives have played in financing the adjusted debtors under the Act. Since the application of the Act to the Bombay State up to 30th June 1952, as many as 15.20 lakhs of debtors and creditors had applied either to the Debt Adjustment Boards or to the Civil Courts for adjustment of their debts. The total amount involved in these applications was Rs. 8,347.79 lakhs. The total amount by which the debts of agriculturists was reduced was Rs. 1,959.20 lakhs, During 1952-54, the Civil Courts disposed of 3.44,177 applications, involving debts to the extent of Rs. 21.77 crores. Of these, awards were taken by the Land Mortgage Banks in cases of 810 debtors covering Rs. 4.53 lakhs in 1953-54. As regards the crop finance made available to the adjusted debtors by the co-operatives, the position was as indicated below :—

(Amounts in Crores).

Particulars		1952-53	1953-54
No. of applications.		59,143	59,946
Amount advanced during the year.	Rs.	1.32	1.32
Amount received during the fear.	Rs.	1.13	1.33
Amount outstanding at the end of the fear	Rs.	1.50	1.43

The effect of Agrarian Legislations on the Co.operative Movement :—The Co-operative Movement in the Bombay State received a considerable fillip, as it was looked to as the main agency through which the supply of finance to adjusted debtors and to persons whose cases were before the Debt Adjustment Boards for adjustment, could be supplied. The Co-operative movement was called upon to organise a large number of credit

societies to meet the increased demand for societies, with the result that there was a considerable increase both in the number of societies and in the number of members in societies. Another healthy effect was that it stimulated the efforts for the promotion and development of co-operative sale societies in regard to the linking up of crop finance with the marketing of agricultural produce. This also had the effect of increasing the number of new sale societies. The Moneylenders' Act had, however, no direct influence on the co-operative movement, but it had its influence in an indirect way. The normal or ordinary financial resources available to the agricultural classes through the moneylenders in rural areas dried up on account of the various restrictions put on the moneylenders under the Act. This resulted in a number of people who were up till then outside the pale of the co-operative movement joining the co-operative societies in order to meet their normal requirements for agricultural production and marketing. The Bombay Tenancy and Agricultural Lands Act gave a stimulus to the work of organising farming societies on co-operative lines on account of certain favourable provisions contained in it for starting such societies. Lastly, with the enactment of the Prohibition Act a large number of people handling the liquor trade lost their occupation and societies had, therefore, to be established for such people with a view to providing some source of income or employment for them. The co-operative movement was also called upon to pull its weight in implementing the policy of prohibition in the matter of rehabilitation of persons displaced from the liquor trade and providing for them recreation and social amenities as counter-attractions to the habit of drink. The Co-operative Societies' Act itself was extensively amended in many important respects in order to promote the healthy development of the co-operative movement on democratic lines and protection was also afforded to co-operative societies against the restrictive provisions of the Bombay Agricultural Debtors Relief Act and the Bombay Tenancy and Agricultural Lands Act.

2. **Fiscal and Judicial Privileges** :—The special privileges enjoyed by co-operative societies, are either fiscal or judicial.

The chief fiscal privileges conferred on co-operative societies in the Bombay State are set out in Section 33 of the Bombay Co-operative Societies Act, VII of 1925 (corresponding to Section 28 of the Co-operative Societies Act, II of 1912), which empowers the Central Government in the case of any society or class of societies to remit–

(a) the income-tax or supertax payable in respect of the profits of the society or of the dividends or other payments received by the members of the society on account of profits or in respect of interest on securities held by the society.

(b) the stamp duty with which under any law for the time being in force instruments executed by or on behalf of a society or by an officer or member and relating to the business of the society or any class of such intruments or awards of the Registrar or Arbitrators under the Act are respectively chargeable.

(c) or any fee payable under the Law of Registration. This is in accordance with the practice in England and other Western countries where exemption from certain fiscal demands is granted to all co-operative societies, provident and friendly societiies.

(d) **Judicial Privileges** :–Mention may be made of a few instances of judicial privileges enjoyed by co-operative societies under the Bombay Co-operative Societies Act as under :–

(1) The share or interest of a member in the capital of a society shall not be liable to attachment of sale under any decree or order of a court of justice in respect of any debt incurred by such member.

(2) Subject to certain prior claims of the Government or of a landlord, a society shall be entitled, in priority to other creditors, to enforce any debt or outstanding demand due to the society from a member or a past member in respect of the crops or other agricultural produce raised wholly or in part

with a loan taken from the society by such member or past member, (b) or in respect of the supply of any cattle, agricultural or industrial implements or machinery or raw materials for manufacture or workshops, godowns or place of business, supplied or purchased by such member or past member in whole or in part from any loan, whether in money or in goods, given him by the society. (c) Again, a housing society shall be entitled in priority to other creditors to enforce any outstanding demands or dues payable to such society by any purchase money, or and other rights or amounts payable to such society against his interests in the immoveable property of such society. (d) A society shall have a charge upon the share, deposits or dividends of a member or past member or may set off any monies held by the society on account of any of these against debts owed by him to the society.

(3) **Help from Technical Departments of Government:—** In many agricultural countries like Denmark, Canada and New Zealand the Government has played a great part in regard to the development of agriculture by performing functions which neither voluntary association nor individual enterprise could alone perform. It has provided technical education and expert advisers and held exhibitions and awarded prizes. It has further assisted in finding out markets, controlling railway rates, subsidising steam boats and even grading, branding, warehousing and maintaining trade agents abroad. These things are not meant, however, solely for co-operative societies but the latter have benefitted, from such measures indirectly. The State has also encouraged the formation of associations of farmers and provincial and national federations of such associations and government departments are acting through such associations and with their advice and assistance.

In India also, the Government has played its part in the development of agriculture and the form of help which co-operatives, as organizations of cultivators, derive is that given by the Deptts. of Agriculture. As at present constituted, the Agricultural Departments, include a complete organisation for bringing the results of the application of science to agricul-

ture into the village. At one end of the scale are the Colleges of Agriculture and Research Institutes and at the other thousands of village demonstration plots where the effects of improved seed, improved methods, improved implements and manures are shown under the cultivators' own conditions. Intermediate links in the chain are the experimental farms where scientific research is translated into field practices, demonstration and seed farms and seed stores for the production and distribution of the seeds of improved varieties of crops. Multi-purpose societies or sale societies or co-operative farming or irrigation societies require the technical assistance and organising ability of the Deptts. of Agriculture which are' ungrudingly provided by them. The relations of the co-operatives and the Deptts. of Agriculture tend to be closer, as the aim of the co-operative societies and of the Agricultural Departments is essentially the same. Agricultural demonstrations are held in connection with co-operative conferences. The staff of the Deptts. of Agriculture are availed of for the purpose of grading or classifying agricultural products of marketing co-operatives. Co-operative institutions are affiliated to institutions like the Taluka Development Boards with a view to helping the latter with funds or otherwise in their work of disseminating knowledge of improvements in the processes of cultivation, improved implements, improved seeds, etc. There is frequent consultation between the leading officers of the Co-operative and Deptts. of Agriculture. A Joint Board is established in the Bombay State consisting of the Registrar of Co-operative Societies and the Director of Agriculture for the purpose of assessing the feasibility of starting co-operative farming schemes under the provisions of Section 64(g) of the Bombay Co-operative Societies Act. Unless the Board consents to the scheme after examining it under various aspects, no co-operative farming society can be registered. Again, the question of agricultural improvement in India implies a variety of ends—prevention of fragmentation and consolidation of holdings, better seed, improved methods of cultivation, more fertilisers, better rotation of crops, more irrigational facilities. A better organisation of agriculture including improvement of marketing, development of a scientic animal husbandry and of

subsidiary occupation is also necessary. Besides these, the needs of the village include improved communications, better houses, better water-supply and sanitation, more medical aid, better child-welfare and maternity care, and above all, education suited to the needs of the cultivator. In short, it is the problem of raising the standard of living of millions of people residing in rural areas. The recognition of the fact that rural reconstruction work can best be carried through the co-operative agency led some time ago to the transfer of rural development work to the Registrar of Co-operative Societies in the Bombay State, but subsequent experience led the Government to de-amalgamate the two Departments. It may be noted that co-operation has now come to be regarded as the natural basis for economic, social and educational development in a country where agriculture is a predominant industry and there are many instances of the application of co-operative principles to the problems of rural life. Co-operation is, therefore, regarded as a key to rural reconstruction work. A successful co-operative society is the best intermediary organisation for bringing the knowledge of the technical expert within the reach of the individual cultivator. It is through the co-operatives that the cultivator could be induced to take to better seed, improved methods of cultivation, better care of cattle etc. The co-operative organisation, is, therefore, availed of by other departments of Government in their efforts to improve the lot of the rural masses. Rural Development Departments have also been set up in some States and efforts are being made to co-ordinate rural development work in those States by setting up Rural Development or Uplift Boards consisting of the Heads of Departments connected with rural development such as agriculture, co-operation, industries education, public health, irrigation, veterinary, forests, etc., and some leading non-officials. How the rural development or uplift work has now been pushed forward on an extensive scale in the Community Projects Areas, would be discussed in a later chapter.

4. Appointment of Expert Committees or Commissions of Enquiry :—Periodical enquiry into the working of the co-

operative movement by the appointment of Special Enquiry Committees or experts has been one of the methods followed by Government in this country to take stock of the position of co-operatives in any specified area. The first public review of the co-operative movement was made by the Government of India itself in a comprehensive Resolution, dated the 17th June 1914. The first Committee of Enquiry appointed by the Government of India was the Maclagan Committee which produced a valuable report in 1915. A few years thereafter, the local governments appointed their own Committees to examine the movement within their own respective provinces and their reports were published. They were: the King Committee's Report of the C. P. and Berar (Madhya Pradesh), the Oakden Committee's Report of the U. P. (Uttar Pradesh), the Townsend Committee's Report of Madras, the Bhansali-Mehta Committee's Report and the Nanavati Committee Report of Bombay. The Royal Commission on Agriculture made its report in 1928, dealing with the co-operative movement as forming a vital basis for agricultural development in the country followed by the Central and Provincial Banking Enquiry Committee's Reports, which reviewed co-operative credit and banking. In accordance with the recommendations of the Policy Committee on Agriculture, Forestry and Fisheries, the Govt. of India appointed a Sub-Committee under the chairmanship of Prof. D. R. Gadgil in 1944 to report on the ways in which indebtedness could be reduced and finance, both short-term and long-term, provided under efficient control for agriculture and animal husbandry operations. Lastly, the All India Co-operative Planning Committee was appointed by the Govt. of India in January 1945 on the recommendation of the Fourteenth Registrars' Conference in order to draw up a plan of co-operative development in the country. The committee's report was published in December 1945 and is a comprehensive survey and a plan for co-operative development and expansion in all conceivable directions and later development of the co-operative movement has almost proceeded along the lines in many states indicated in the Committee's Report. Reports of Committees submitted to Governments bearing on Co-operation made suggestions not only in regard to ways and

means of rectifying the movement but also in respect of the form and extent of assistance that the Government might be called upon to render to develop the co-operative movement on right lines. The Governments concerned have ungrudgingly borne the expenses involved in the appointment of such Committees of Enquiry or Experts.

4(1) (a) **Appointment of the Committee of Direction of the All India Rural Credit Survey** :—An important development during the year 1950-51 was the institution, by the Reserve Bank of India, of a nation-wide survey of the rural credit conditions in the country. The survey designated as the All India Rural Credit Survey was conducted under the guidance of a Committee of Direction appointed by the Reserve Bank of India to plan and direct it and to interpret its results and make appropriate recommendations. For the purpose of the survey the whole country was divided into a number of homogeneous geographical regions on the basis of the preponderance or otherwise of cash crops and of the percentage of area under irrigation. A certain number of districts were then selected from each region on the random sampling method. Thus 75 districts were selected from all over the country, and again on the basis of the random sampling, eight villages from each district were chosen, making in all 600 for the entire country. The survey concerned itself with both the supply and demand aspects of rural credit. The Committee consisted of economists and administrators, and was presided over by Shri. A. D. Gorwalla, I.C.S. (Retd.). It published a comprehensive report in three volumes in 1954 and the General Report (Vol. I) contains a detailed exposition of the problem of rural credit as well as the Committee's recommendations of the problem investigated.

(b) **Appointment of a Standing Advisory Committee** :—One of the recommendations made by an informal conference convened by the Reserve Bank in February 1951 to consider the Bank's role in the sphere of rural finance was that a small standing Advisory Committee which might be an expert rather than a representative body should be associated with the

Bank's Agricultural Credit Department. Accordingly, a Standing Committee was set up with the Governor of the Bank as Chairman, its Executive Director as Vice-Chairman and twelve other members including official and non-official co-operators. Its functions are to advise the Reserve Bank on matters pertaining to its Agricultural Credit Department and on subjects allied to those matters. During 1951-52, Committees of Enquiries were also appointed by the State Governments of Jammu and Kashmir, Uttar Pradesh and Madhya Bharat to study the working of the Co-operative Movement in the respective States and make recommendations for reorganization. The Reports of these Committees were completed in 1953. The Government of Rajasthan appointed a Committee in 1950 to study the possibility of introducing co-operative farming methods in the State. The Report was submitted for consideration to the State Government during the year 1952. In West Bengal, a Committee was appointed to enquire into the working of central co-operative banks in the State. In Coorg, consequent on the recommendations of the Coorg Co-operative Committee appointed by the Government in 1952, the State Co-operative Bank was reorganised so as to enable it to avail itself of the facility of concessional finance available from the Reserve Bank of India for seasonal agricultural operations and marketing of crops.

5. **State Control. Whether the Grant of Concessions and Privileges to Co-operative Societies should necesssarily be accompanied by State Control** :—Apologists for official Control argue that control by official agencies is indispensable in a country with a backward economy like India where the Government is called upon to extend its patronage and make various forms of aid available to the co-operative movement in order to see that the privileges and concessions enjoyed by the co-operative at the expense of the general tax-payer are not misused or abused. It may be observed in this context that the privileges such as exemptions from the payment of stamp duty, registration charges and income-tax on profits are enjoyed by co-operatives in various countries without any conditions being attached to the conferment of such privileges. The

exemptions so granted are justified on two grounds, viz., that they are extended in favour of agriculturists, artisans and other persons of limited means and central institutions serving their interests and secondly, that the co-operatives are working on non-profit basis in accordance with the bye-laws formed to secure that end. As the institutions develop, these privileges are gradually withdrawn or modified. Instances where this has happened are to be found in the withdrawal of the free remittance facilities through Government treasuries and of exemption from payment of stamp and registration charges on certain types of documents executed by the members of urban banks, housing societies and individual members of the central financing agencies and of withdrawal of free audit in the Bombay State. Thus State support to the co-operative movement need not necessarily connote State control.

6. **What is Meant by Control?**—The word 'control' implies three different processes : Audit, Inspection and Supervision which is all-pervading and includes in a sense both inspection and audit and yet it differs from them in that it implies the duty not merely of finding fault with a society or giving warning to it or punishing offenders but of educating members and office-bearers in the true principles of co-operation and in the day-to-day management of the affairs of societies. Supervision has in it much more of the educative element than either audit or inspection. It is not a critical examination like the latter. It aims rather at helping the societies to work more efficiently and in accordance with co-operative principles than merely convicting the societies of the error of their ways. Thus supervision is much more comprehensive than a formal process to be gone through according to certain fixed rules. It will be observed that there is no specific provision dealing with supervision not only in the Acts of 1904 and 1912, but also in the Act of 1925. In contrast with this, audit and inspection are both definitely provided for. Section 22 of the Bombay Co-operative Societies Act (VII of 1925) (corresponding to Section 17 of the All India Co-operative Societies Act II of 1912) lays down that societies shall be audited once at least in every year by the Registrar or by some person authorised by him

while Sections 43 and 44 provide that the Registrar may either of his own motion or at the request of a competent party, hold an enquiry into the constitution, working and financial condition of a registered society and further that on the application of a creditor of a registered society, the Registrar shall inspect or direct some persons to inspect the books of the society. Inspection and enquiry are identical terms and one term may be used to denote the other also. The main difference between audit and inspection is that the former is a periodical event and may be a continuous or completed one, whereas the latter is rather an occasional event and is somewhat of a special character and which is undertaken only at the request of a creditor in certain contingencies. Audit supervision and inspection differ materially in regard to the time at which they are held. Supervision is continuous, audit is periodical and inspection specifically referred to in the Act is occasional. The Auditor is an officer charged with the duty of examining the accounts of a society and audit is intended to ascertain the exact financial position of a society and is undertaken on behalf of the Registrar while the object of inspection, as understood in its ordinary sense, is to find out that the work of the society is efficiently and properly carried out. Inspection is now well recognised to be the function of financing agencies and an Inspector of a co-operative financing agency must satisfy himself that in a credit society the credit of a borrower is properly appraised, that loans are properly covered by proper security and that the obligations of members towards the society are properly met. In brief, an Auditor is the watchdog of the Registrar and an Inspector that of the Co-operative Financing Agency, while the Supervisor is the help-mate of the society. These three terms, viz., audit, inspection and supervision, are loosely used in co-operative literature and it is not always that they are understood with the exact sense of their distinction.

7. **Arrangements for Audit in the Bombay State** :—The audit of societies in the Bombay State is conducted by the departmental staff consisting of Special Auditors, District Auditors and Sub-Auditors, which is controlled by the Chief

Auditor and Financial Adviser. The Special Auditors are held responsible for the audits of Apex institutions (excepting the Head Office of the Bombay Provincial Co-operative Bank), Central Banks, Branches of the Provincial Co-operative Bank and Central Banks, Industrial Associations, while the Sub-Auditors are entrusted with the audit of all agricultural credit societies, excepting multi-purpose societies and societies running fair price shops with a turnover of more than Rs. 50,000/-. The societies that are not in charge of either Special Auditors or Sub-Auditors are entrusted to the District Auditors of the respective areas. Besides the departmental audit staff, there are also Certified Professional Auditors and a list of such Certified Auditors appointed by the Joint Registrar is issued once in two years. Certified Auditors audit the accounts of societies such as Urban Banks (classed in A or B at audit and having a working capital of Rs. 50,000/- or over at the close of the preceding co-operative year) consumers societies with a turnover of Rs. 50,000/- and over, Housing Societies having no outstanding of Government loans against them and any other Society considered fit for transfer to the professional auditors by the Registrar. The present position in regard to audit in Bombay is that free audit has been withdrawn and all co-operative societies, unless exempted specifically on account of the work done or for other reasons, are required to pay audit fees in accordance with scales prescribed for different types of societies by the Government from time to time.

8. **Arrangements for Supervision in the Bombay State :** Since the work of supervision implies the duty on the part of the supervisors of instructing the members and office-bearers of societies in co-operative principles and the propagation of the co-operative movement, it is right that this function of supervision should devolve on the co-operative institutions themselves. Past experience of the working of the system of supervision in the Bombay State has shown that the societies were not equal to the responsibilities and many abuses were found to have crept in and that is why the Bombay Government decided to take over the entire staff of supervision and treat them as temporary Government servants,—an experiment which

was recommended by the Thomas Committee in the year 1933. The set-up of supervision consists in the State at present of supervising unions, district supervision committee and the Provincial Board of Supervision. The entire cost of supervisors who work under the supervising unions is borne by Government. The total cost of supervision so borne during the year 1951-52 was Rs. 1,92,562/-. Superintendence, direction and guidance of the supervising staff in a district is vested in the District Supervision Committee which consists of five persons, viz., the Assistant Registrar of the division, the Chairman of the Central Financing Agency, the Chairman of the District Committee, one representative each of the supervising unions and agricultural non-credit societies. The District Co-operative Officer is the Secretary of this Committee. The District Supervision Committee controls the supervisory staff in the district, checks the diaries of supervisors, recommends disciplinary action against them, wherever necessary, and reviews in general the work of the supervising unions. The central authority over supervision vests in the Provincial Board of Supervision, the work of which will be referred to in 3rd Volume.

9. **Financial Aid to Co-operative Socities** :—The policy pursued by the Government of India in regard to financial aid to co-operative societies is referred to in paragraph 27 of their Resolution dated the 17th June 1914, in the following words:—

"Just as there are some critics who deprecate Government assistance, so too there are others, both official and non-official, who plead for a far greater degree of Government intervention than has hitherto been permitted. The result is that Government has to steer a middle course and this has been the policy adopted both as regards supervision and financial aid."

In justification of this policy, they further observe in paragraph 28 of the aforesaid Resolution as under :—

"So far as financial aid is concerned, there has been intervention on the part of Government, but it has been of the slightest possible character. When co-operation was initiated

ten years ago, Government was urged to subsidise the new societies liberally and its apparent parsimony was criticized. But the evils of excessive liberality were fortunately foreseen and the restriction of State aid was due not to niggardliness but to the fact that in other countries experience had shown that unrestricted assistance was a dangerous and might be a fatal gift. It was decided, however, as in the early stages there was no immediate prospect of bringing societies into contact with the general money market, that subject to equivalent contributions from the members, loans might be given within certain limits. But except in one or two provinces, where special reasons for help existed, Registrars have properly discouraged any undue reliance on such assistance, and the proportion of the total capital of societies represented by Government loans now scarely exceeds 3 per cent. Without these loans societies would not have come into existence, and in fostering infant societies they have fulfilled a useful purpose, but events have fully proved the wisdom of the policy of avoiding excessive State aid and it is to the adoption of that policy that the inherent strength of the movement is largely due."

The Government of India adhered to the policy of financial aloofness, which was departed from only when financial assistance was made available in three forms, viz., (1) initial advances to help the starting of new co-operative societies, (2) the guaranteeing of interest on debentures issued by the Bombay Provincial Co-operative Bank and (3) special advances made during the World War I to help Co-operative Banks in two provinces. When the Co-operative Credit Societies Act X of 1904 was passed, the Government of India issued a circular to the local Governments, giving them permission to advance to any rural society a sum not exceeding Rs. 2,000/- and not exceeding the capital raised from the members themselves, to be held without interest for a period of three years and to be repaid thereafter in ten instalments with interest at 4 per cent. This provision was availed of only to a limited extent. Again, financial grants were only made to societies started among such specially backward communities as poor castes or aboriginal hill tribes. The Bombay Provincial Co-operative Bank

was authorised to issue debentures at 4 per cent. and the interest thereof was guaranteed by the Secretary of State for India on the security of the Provincial Revenues. A detailed agreement was entered into with the Bank in order to maintain its co-operative character. The guarantee from Government helped the Bank to obtain loans on cheaper terms than if it had gone unaided into the market. Special advances of money were meant to meet the peculiar conditions created by the War and the Government altogether gave a sum of Rs. 5 lakhs on account of War advances in two provinces in order to enable the co-operative institutions to repay their loans as deposits had ceased to come in. It will be seen that from what is stated above, the part played by the Central as well as State Governments in the origin, development and progress of the co-operative movement in this country has been of a very vital nature. From the various forms of State aid given to the co-operative movement it will be noticed that wherever spectacular progress has been achieved, it could directly be traced to the help given by the Government. For example, the success of the consumers' co-operative movement during War years was mainly attributable to the fact that the Government entrusted the co-operatives with not only procurement operations but also with the distribution of rationed and controlled goods in most of the States. In a similar way, the progress of weavers' societies in Madras could be ascribed to the support of the State given in various ways and the weavers have been in consequence enabled to tide over one of the worst economic depressions through which the handloom products have had to pass. Substantial help is also being given in that province to ex-servicemen and toddy tappers.

With the publication of the Report of the All India Credit Survey Committee, the question of State-aid to, and State control of, the co-operative movement has assumed a wider significance. Not only has the Committee recommended various types of financial aid to the co-operatives, but it has gone one step further in making a recommendation to the effect that the State should be actively associated with the working of societies at all levels in a partnership. The reasons underlying this

radical recommendation have been set forth elsewhere in this chapter, but suffice it to say that the effect of the recommendations of the Committee and their implementation by the Central and State Governments has been that different forms of State-aid given to the movement have been on the increase and the various forms of assistance the co-operative movement has been receiving from the Government are indicated below:—

10. (a). **Financial Commitments by Governments in the maintenance of Independent Co-operative Department with a large Staff, both technical or otherwise** :—The subjoined table gives statistics regarding the expenditure which the State Governments incurred on their Co-operative Departments for a period of three years :—

(Amounts in lakhs of rupees)

Name of the State	Expenditure on Co-operative Departments			Percentage of Government expenditure to total working capital of co-operative institutions in the State in
	1951-52	1952-53	1953-54	1953-54
Andhra	—	—	34.91**	0.95
Assam	5.30	7.10	7.01	2.79
Bihar	17.79	27.49	33.55	4.48
Bombay	102.58	103.58	101.70	0.93
Madhya Pradesh	11.36	12.50	13.37	0.87
Madras	76.39	77.81	66.82	1.08
Orissa	7.96	8.74	9.41	1.51
Punjab	15.52	15.91	16.62	0.99
Uttar Pradesh	59.85	67.42	60.59	1.91
West Bengal	18.64	18.12	20.37	1.01
Hyderabad	17.41	17.57	19.61	1.64
Jammu & Kashmir	1.77	2.01	2.01	1.68
Madhya Bharat	11.00	N.A.	N.A.	—
Mysore	3.79	6.00	6.10	0.69
PEPSU	1.78	2.61	3.74	2.17
Rajasthan	5.13	5.76	6.01	2.02
Saurashtra	1.33	1.44	2.35	0.68
Travancore-Cochin	3.16	4.48	3.89	1.20

Ajmer	0.96	1.31	1.27	1.58
Bhopal	0.21	0.27	0.09	0.73
Coorg	0.69	0.74	0.70	0.92
Delhi	2.15	2.78	2.50	1.06
Himachal Pradesh	1.37	2.19	2.48	4.53
Kutch	0.01	0.02	0.16	3.29
Manipur	0.20	0.31	0.33	5.31
Tripura	0.02	0.09	0.15	4.64
Vindhya Pradesh	0.83	1.00	1.82	2.69

Figures taken from the Review of the Co-operative Movement by the Reserve Bank of India, 1952-54.

** Expenditure in the second half-year of 1953.54. The Andhra State was formed on 1-10-1953.

N.A.=Not available.

It will be seen from the above table that in almost all the States there was a noticeable increase in expenditure on Co-operative Departments. This indicates the growing interest evinced by the State Governments in the co-operative Movement. With the widening of the scope of the movement as also the expansion of its activities, the expenditure on Co-operative Departments which are expected to guide and control the Movement is apt to increase still further, particularly in States which are co-operatively backward. The statement furnishes examples of States like Pepsu, Ajmer Rajasthan, Himachal Pradesh and Vindhya Pradesh, where a large increase in expenditure on Co-operative Departments is already in evidence.

(b) **Loans to Co-operative Institutions** :—The subjoined table shows the amounts of outstandings in respect of loans granted by State Governments at the end of each of the three years, 1951-52, 1952-53 and 1953-54, and its percentage to the total working capital of these institutions :—

(Amounts in crores)

Year. (1)	Working Capital. (2)	Government Loan. (3)	Percentage of (3) to (2)
1951-52	306.34	14.12	4.6
1952-53	327.10	15.06	4.6
1953-54	351.79	14.23	4.0

These figures indicate that there was a small increase in the quantum of financial accommodation during the first two years, but it shows a decline at the end of 1953-54 because of an increase in the working capital which is derived from other sources. It is noteworthy to find that in Part A States only the quantum of financial accommodation to the co-operative movement was to the extent of Rs. 11.95 crores, while all other States put together accounted for Rs. 3.11 crores. Of the Part A States, Madras, Uttar Pradesh and Bombay alone accounted for about 65% of the total Government loans outstanding. In Madras, Bombay and Rajasthan non-agricultural non-credit societies received the major share of Government finance, while in the case of Uttar Pradesh, agricultural non-credit societies absorbed the major portion of Government loan. In the case of West Bengal it was the Apex Bank that was in receipt of the bulk of Government loan. A major portion of Government loan in Pepsu went to purchase and sale societies—mainly the Grain-dealers' Syndicates that were entrusted by Government with the procurement of foodgrains.

(c) **Contribution to the Share Capital of Co-operative Banks.**

Bombay. In pursuance of the recommendations of the Agricultural Credit Reorganization Committee, otherwise known as the "Nanavati Committee" the State Government contributed a sum of Rs. 10 lakhs towards the share capital of the Bombay State Co-operative Bank and a sum of Rs. 2.75 lakhs towards that of two Central Banks in the State. During 1952-53 it contributed a sum of Rs. 1 lakh each to the share capital of three central banks and Rs. 2 more lakhs to two central banks in the State, in 1953-54, thus bringing the total contribution to Rs. 17.75 lakhs.

Uttar Pradesh :—A similar contribution was made by the Government of Uttar Pradesh to the share capital of the Uttar Pradesh Co-operative State Bank to the extent of Rs. 5 lakhs.

Other States :—The Governments of Himachal Pradesh, Coorg, Rajasthan and Mysore contributed Rs. 1 lakh, Rs. 2.25

lakhs, Rs. 5 lakhs, and Rs. 5 lakhs respectively towards share capital of the Apex Banks in the States. Similar contributions were also made by the Governments of West Bengal, Jammu and Kashmir and Madhya Bharat in the case of the respective apex banks to the tune of Rs. 15 lakhs, Rs. 8 lakhs and Rs. 5 lakhs respectively. Such contribution was made in implementation of the recommendations of the Rural Credit Survey Committee's Report, as participation by the State Governments in the share capital of financing banks is expected to lend financial strength to the institutions concerned besides expanding their ability to command more funds so as to become more effective agencies for the financing of primary credit societies.

(d) **Subsidies, Guarantees and Grants.**

(i) **Guarantees** :—Apart from contribution to the share capital of central financing agencies, other forms of State-aid consisted of grants-in-aid and subsidies and provision of guarantees to funds borrowed by co-operatives. The following were the different types of guarantee provided, the object being to enable certain classes of co-operatives to raise funds at reasonable rates of interest necessary for their working.

Firstly, the debentures issued by the Central Land Mortgage Banks of Bombay, Madras, Andhra, Madhya Pradesh, Orissa, Mysore and Travancore-Cochin continued to be guaranteed by the Governments of respective States as regards both principal and interest. Secondly, it has also been the usual practice in a few States to extend Government guarantee in respect of finance obtained from commercial banks, e.g., Government of Madras gave a guarantee to the Imperial Bank in respect of a loan given to the State Co-operative Bank for financing the procurement and import of foodgrains etc. Thirdly, in Bombay, the Government has been guaranteeing a proportion of the loans made to various industrial co-operatives by central financing agencies and meeting losses on account of bad debts up to 5% that might arise in respect of crop loans made to adjusted debtors under the provisions of the Bombay Agricultural Debtors Relief Act. Fourthly, a further development has been the provision of guarantee by the State Govern-

ment for the finance made available by the Reserve Bank of India to the Apex Co-operative Banks. This development is important in that it enables States like Orissa, West Bengal and Madhya Pradesh to obtain financial accommodation from the Reserve Bank, as otherwise the central banks therein were not of adequate financial strength to provide the second good signature required for loans under Section 17 of the Reserve Bank of India Act. It was because of the State Government's guarantee, it was possible for the Apex Banks to avail themselves of the financial accommodation from the Reserve Bank of India.

(ii) **Grants and Subsidies** :—As regards grants and subsidies given by various State Government to co-operative institutions, comprehensive data are available only for Bombay and Madras, but the subjoined table gives the available statistics for other States as well :—

(Amounts in lakhs of rupees)

State		1952-53	1953-54
Andhra	..	..	2.43
Assam	..	1.33	0.20
Bihar	..	4.55	8.79
Bombay	..	48.05	40.93
Madhya Pradesh	..	1.57	2.09
Madras	..	11.32	3.65
Orissa	..	0.71	0.59
Punjab	..	2.07	2.01
Uttar Pradesh	..	26.14	24.17
West Bengal	..	0.19	2.33
Hyderabad	..	0.20	0.17
Jammu and Kashmir	..	..	5.00
Madhya Bharat	..	0.50	1.15
Mysore	..	1.15	1.02
Pepsu	..	..	0.78
Rajasthan	..	0.21	0.21
Saurashtra	..	0.19	0.50
Travancore-Cochin	..	0.91	0.63
Ajmer	..	0.08	0.13
Bhopal	..	N.A.	..
Coorg	..	0.10	0.22
Himachal Pradesh	..	0.01	0.01
Cutch	..	..	0.81

(iii) **Purposes for which Grants-in-aid are given:**—Governments are giving financial assistance to infant co-operative societies in order to enable them to establish themselves firmly. Fianancial aid is also given for purposes such as, meeting the cost of management, purchase of agricultural equipment and machinery, agricultural implements, distribution of chemical fertilisers, manures like groundnut-cake, purchase of milking cans or trucks, erection of milking sheds, construction of godowns and installation of machinery and plant by processing societies. In the States of Bombay and Madras, subsidies were also utilised in cheapening credit to creditworthy agriculturists in undeveloped areas.

(e) Supply of Personnel either partially or wholly, free of cost to various co-operative institutions which could not otherwise afford to employ them. The following paragraphs indicate the position that obtained in various States in this respect:—

1. **Bombay** :—The Government has given assistance to meet the expenditure on the cost of secretaries of rural credit societies. The concessions approved of by Government were on the following lines:—

A grant to the extent of 1 per cent. of the total working capital of the primaries was placed at the disposal of the Registrar at the beginning of a co-operative year commencing from 1st July 1950 and the Registrar was empowered to give a subsidy up to a maximum of 2.5 per cent. of the working capital of societies as indicated below :—

(a) Societies which were of not more than 10 years' standing at the commencement of the co-operative year in respect of which assistance is claimed were eligible for a subsidy towards their secretarial cost with effect from 1st July 1949, subject to the condition that the contribution to the Reserve Fund by such societies shall not exceed 1 per cent of the working capital for the years in respect of which the subsidy was granted.

(b) Societies which were of more than ten years' standing were eligible for a similar subsidy for a period of five years beginning from the 1st July 1949, subject to the condition that the assistance so made available should be limited to the actual deficit, that is to say, the deficit arrived at without contributing anything towards the reserve fund for the years in respect of which the assistance was claimed.

(c) In the case of societies with limited liability, subsidy on the above scale should be granted subject to the condition that the provision for payment of dividend on the share capital should not exceed the Bank rate or 3 per cent. per annum, whichever is less, for the years in respect of which the subsidy is granted.

Assistance to other Societies :—The full cost of an executive in each of the two oilmen's societies was borne by Government subject to the maximum of Rs. 1500 in each case during the year 1946-48. The Bombay Provincial Co-operative Marketing Society was sanctioned a sum not exceeding Rs. 4000/- for the first year, being the full cost of the salary of the Secretary, while during the second and third years a sum up to Rs. 3000/- was sanctioned, the Society, however, contributing Rs. 100/- per month towards the salary. The expenses towards the salary of the Managers of six Co-operative Purchase and Sale Unions were fully met by the Government and in the case of the Karjat Taluka Co-operative Purchase and Sale Union, only 2/3rds of the cost was borne by Government.

2. **Madras** :—The Government has been assisting the co-operative Movement either fully sometimes or partly for certain specified periods. The services of Senior Inspectors for organising societies under Milk Unions were provided free of cost. Till recently, the services of departmental officers in the case of housing societies undertaking construction of houses were provided free of cost during the first year to work as their Secretaries, but this concession is now withdrawn and services of the departmental staff to housing societies are made available only on payment.

3. **West Bengal** :—The Government placed the services of an Administrative Officer free of charge for proper and effective working of the Calcutta Milk Union.

4. **C. P. and Berar (Madhya Pradesh)** :—Under the Post-War reconstruction Schemes, free services of Managers to 34 Multi-Purpose Societies in the Mandla District and 5 Fishermen's Societies were provided by the Government in addition to the free services of Managers in the case of 10 Multi-Purpose Societies in other parts of the State during the period from 1946-1948. The services of an Auditor free of cost were also made available during this period to the Central Milk Producers' Association at Nagpur.

5. **Orissa** :—Two Sub-Assistant Registrars of Co-operative Societies were given free of cost to the Orissa Provincial Co-operative Land Mortgage Bank. Similarly, a Sub-Assistant Registrar and an Inspector of Co-operative Societies were appointed to look after the affairs of the two Salt-Production and Sale Societies respectively. Similar appointments were also made in the case of two Agricultural Produce Growers' Co-operative Societies, and one Inspector was appointed for a Multi-Purpose Society, and three 'Sardar Kamdars' for three Jute-Growers' Co-operative Societies.

(f) **Rehabilitation of Displaced Persons** :—The problem of resettlement of refugees after Partition of the country was also sought to be solved by organising different types of societies with a view to providing shelter and finding gainful occupations for them. But the problem of rehabilitation was so vast that this help was not adequate to meet the situation. In the initial stages the inadequacy of financial resources, lack of trained personnel for the work of organization and the uncertain nature of resettlement created numerous difficulties. Gradually these handicaps were overcome and the number of societies such as housing, consumer stores, industrial societies came into existence. Thus the co-operative movement became a full-fledged rehabilitation movement so far as displaced persons were concerned and covered all the aspects of their social

and economic welfare. The following paragraphs indicate the efforts made in this direction in several States of the Indian Union :–

(1) **Punjab** :–In order to cope with the situation that arose after Partition, a separate co-operative organization under an additional Registrar of Co-operative Societies in charge of Rehabilitation work was set up in the year 1949. Since then, various types of societies numbering in all 912 were registered among the displaced persons up to the end of 1952. A total sum of Rs. 69.50 lakhs under the different Rehabilitation Acts was advanced to these societies. About 6000 families of refugees were given land at Faridabad, for their rehabilitation. The refugees formed themselves into various types of societies with different objects and the work of construction of houses as well as provision of raw materials and services required for the formation and development of the new township was done by the refugees themselves under the supervision of the Development Board.

(2) **West Bengal** :–There were 203 societies organized for displaced persons coming from East Bengal. They included large number of colony societies, weavers' societies fishermen societies and other industrial co-operatives, besides the number of co-operative stores and multi-purpose societies. The members of these societies were given loans for house-building or for industrial purposes by the Refugee Rehabilitation Department. Some colony societies were given lands by Government for the rehabilitation of the members. Since the finance made available proved inadequate, the progress of such societies was limited.

(3) **Ajmer** :–Out of a total number of 48 societies for displaced persons, there were 20 societies concerned with textiles. The 48 societies had a membership of 928 with a working capital of Rs. 4.05 lakhs. The State Government made advances to these societies at 3 per cent. and the societies' outstandings to Government stood at Rs. 3.11 lakhs at the end of 1951-52.

(4) **Delhi** :—There were 370 societies of various types organized for displaced persons with a membership of 11515 and a working capital of Rs. 38.65 lakhs at the close of 1951-52. Of these 108 were credit societies with a membership of 2159 and a working capital of Rs. 9.44 lakhs. The other important types of societies were purchase and sale societies, industrial societies and housing societies. These societies were given financial accommodation to the extent of Rs. 1.89 lakhs.

(5) **Rajasthan** :—There were 123 societies for displaced persons consisting of 13 housing societies, 50 better farming societies and 60 industrial and other societies at the end of 1951-52. Loans amounting to Rs. 50 lakhs were advanced to these societies and about 1200 houses were built to provide accommodation to the members. In addition, about 5000 acres of land were allotted for cultivation to farming societies. The State Government assisted these societies by supplying building materials at controlled rates and raw materials for industries in the form of coal, iron and steel and yarn. Goods worth about Rs. 10 lakhs were manufactured by the cottage workers' societies of displaced persons; one co-operative industrial society is reported to have manufactured 50444 buckets within a very short period.

(6) **Bombay** :—At the end of 1951-52 there were in all 194 societies for displaced persons consisting of 89 consumers' 30 producers', 44 housing, 13 transport, 11 farming, 3 credit, 2 industrial societies, 1 society for women and one federal co-operative society. The consumers' societies were engaged in the running of grain shops, sale of non-controlled commodities and distribution of milk. One of them was concerned mainly with the distribution of yarn and it sold yarn of the value of Rs. 2.09 lakhs during 1951-52. Producers' societies were engaged in such activities as the production of 'murmura' tin boxes, embroidery, dyeing, printing etc.

(7) **Madras** :—Consequent on the introduction of prohibition in the State, toddy-tappers were thrown out of employment and they were organized into co-operative societies for

the manufacture of palm-jaggery, and licences were issued to them to tap sweet juice. At the end of 1953-54, there were 1536 jaggery-manufacturing co-operatives all over the undivided State of Madras. The State Government maintained a staff of 83 Senior Inspectors for the organization and supervision of these societies. They had a membership of 1.87 lakhs and a paid-up share capital of Rs. 6.34 lakhs. During 1953-54, the members produced 31.70 lakh maunds of jaggery and sold 30.61 lakh maunds of jaggery worth Rs. 137.6 lakhs. The Palm-Gur Inspectors employed by the State Government trained the tappers in the manufacture of improved varieties of jaggery. Gur-making equipment was also supplied to ex-toddy-tappers at half the cost, the other half being borne by the Government. In certain deserving cases, even one-half of the cost was remitted. The Government also undertook the marketing of jaggery produced by the members, besides granting them subsidies for meeting expenses such as the hiring of the godowns, purchase of scales and weights and employment of staff. In four districts of the States, Federations of such societies were also established, with a view to marketing their produce effectively. Government assistance was also made available to enable them to open centres for the sale of Nira, for the manufacture of edible products out of palm-gur, for the manufacture of white sugar and for the marketing of palm-fibre and leaf-products. In areas where jaggery manufacturing societies could not be formed, subsidiary occupations such as dairying, cattle-breeding were introduced by organizing separate co-operative societies. Other villagers were also admitted as members of these societies. There 108 milk supply societies with a membership of 1506 ex-tappers and 4187 other members having a paid-up share capital of Rs. 92,133/-. The number of cottage industrial societies stood at 15, having a paid-up share capital of Rs. 10,077 and a membership of 874, of whom toddy-tappers were 150. There were only four cattle-breeding societies with a paid-up share capital of Rs. 6,156 and a membership of 524, of whom 33 were only ex-tappers. Lastly, there were 133 tenant-co-operative societies, with a paid-up share capital of Rs. 28,693/- and a membership of ex-tappers who numbered 4398 out of a total membership of 10,702 persons. Steps were

also taken to encourage thrift among members and also non-members by supplying to them savings boxes or hundi boxes in order to enable them to save a part of their income. In this way, the amount collected through hundi boxes up to the end of 1954 came to Rs. 1,40,592/-.

(g) **Rehabilitation and Reorganization of the Co-operative Movement :**

(i) **General Observations** :—The co-operative movement continued to be under watch of the various State Governments concerned who took remedial measures to avoid a setback wherever it was noticed. Not only that but they were called upon to adopt fresh measures to meet changing conditions in the movement or in respect of extraneous factors that had a bearing on the working of the movement. They had also to push forward the expansion of the movement on desired lines. In the tasks of assessment and reform of the movement, they were assisted by the officers of the Reserve Bank of India through their study tours and discussions with official and non-official co-operators. The officers of the Reserve Bank of India drew up plans of reorganization which were finalized by State Governments after consultation with the officials of the Reserve Bank of India. Substantial assistance was also made available by the Reserve Bank of India to the Movement in the various States in the matter of provision of finance to State Co-operative Banks for seasonal agricultural operations and marketing of crops and also in regard to provision of facilities for the training of co-operative personnel. In the following paragraphs an attempt has been made to give a brief account of measures taken by certain State Governments to reorganize or rehabilitate the movement.

(ii) **Assam** :—The scheme of reorganization of the co-operative movement in the State formulated by the Co-operative Department visualized the revitalization of the weak and languishing central co-operative banks and starting of new primary credit societies besides rehabilitating the existing ones. There was also a scheme in operation in the State for amelio-

rating the social and economic condition of tribal people through co-operative methods. There were 98 societies working for this purpose in the tribal areas as at the close of 1954. Besides, there were two schemes under contemplation, one for the establishment of a State Co-operative Insurance Society and the other for the reorganization of the Co-operative Training Institute in the State. In addition, a scheme for the distribution of seeds and manure through co-operatives to be financed out of grants from the Central Government was also under the consideration of the State Government. In order to enable the agricultural credit societies, to start functioning under the Scheme of Rehabilitation drawn up in consultation with the officers of the Reserve Bank of India, a loan of Rs. 30 lakhs was given by the Reserve Bank of India under the State Governments's guarantee.

(iii) **Bihar** :—The Rehabilitation Scheme provided for financial assistance to central co-operative banks to meet a part of the cost of management and also the losses on account of scaling down of their assets. The central banks were divided for the latter purpose into three groups, viz., (1) those central banks whose loss was equivalent to 25% of the gross liabilities or less : (2) those central banks whose loss was in excess of 25% but did not exceed 50% of the gross liabilities and (3) those central banks whose loss exceeded 50%. In the case of the first and the third categories the State Government did not assume any responsibility but in respect of the second category, the dues of the creditors were reduced by 25% and Government also agreed to make grants to cover the balance of the loss. The contribution towards loss of central banks was estimated at Rs. 12 lakhs but actually amounted to Rs. 7.99 lakhs only. The expenditure for meeting the deficit in the cost of management of the central banks was estimated at the rate of 1 lakh per year for a period of five years. But the actual deficit during the first four years of rehabilitation came to Rs. 12.02 lakhs. Thus the payment to be made to central banks on both these accounts for a period five years during which the scheme of rehabilitation was in operation amounted to Rs. 12.02 lakhs and Rs. 7.99 lakhs respectively. The State Government

had paid Rs. 8.11 lakhs earlier on these accounts; of the balance remaining, Rs. 8 lakhs were paid during a period of two years, viz., 1953 and 1954, leaving a further balance of Rs. 4 lakhs to be paid.

(iv) **Bhopal** :—Efforts were made to rehabilitate the movement by organizing multi-purpose co-operatives, at the rate of at least one in each Patwari Circle. New schemes for the amelioration of scheduled tribes and Adiwasis by establishing co-operatives for them were also put into operation. An apex bank was also organized. Special arrangements were, however, made to wind up all the defunct societies in the State.

(v) **Coorg** :—The scheme of rehabilitation visualized the conversion of all primary credit societies into multi-purpose societies within a period of ten years. By the end of 1954, 10% of such societies had already been converted. A scheme of linking credit with marketing was finalized and an apex Marketing Organization was also being established.

(vi) **Himachal Pradesh** :—The State Government approved a scheme under which one multi-purpose co-operative society for each Patwari Circle would be organized which meant the organization of 428 multi-purpose societies for the State as a whole. At the higher levels there would be one multi-purpose co-operative union for each Tehsil, one Federation for each district and a Development Federation having as its area of operation the whole of the State. Towards the close of 1951-52, 146 multi-purpose societies had been established with a membership of 9405 and a working capital of Rs. 7.80 lakhs. A State Co-operative Bank with District Branches was also organized. The State made considerable strides in implementing the scheme of reorganization.

(vii) **Hyderabad** :—The working of primary societies in the State had been considerably hampered owing to the political disturbance that had taken place earlier in the State. To add to this, there was drought and scarcity owing to successive

failure of monsoons. The Co-operative Department in the State formulated various schemes to reorganize the co-operative movement in the State on the lines of the recommendations of the Co-operative Planning Committee. Besides, two experts were also invited to the State by the State Government for studying the movement and for suggesting measures of reform. With a sum of Rs. 4 lakhs sanctioned in the budget for 1951-52, the Co-operation Deparment opened four regional training centres and introduced a scheme of propaganda to spread the principles of co-operation by means of visual aids with the help of the Propaganda Squads. Intensive organization of societies in the community projects areas and N.E.S. blocks was undertaken towards the end of 1954 and a special staff was deputed to extend the necessary facilities to these areas.

(viii) **Jammu and Kashmir** :—The reform of the co-operative movement in the State was undertaken in accordance with a plan drawn up for the purpose. Its implementation in the Kashmir Valley was completed during 1953-54, while work in the Jammu Province commenced during the same period.

(ix) **Madhya Pradesh** :—Efforts were made to cover all the villages by the establishment of agricultural credit societies, so as to provide short-term loans of Rs. 3 lakhs in each community project or National Extension Service Block before the expiry of the First Five-Year Plan period. Attempts were also made to organise and develop cottage industries on a co-operative basis.

(x) **Mysore** :—Rehabilitation of the co-operative movement in the State was attempted in 1953-54 by starting District Central Co-operative Banks. Three such banks were organized at Shimoga, Hassan and Mandya. The State Government contributed Rs. 5 lakhs towards the share capital of the Mysore State Co-operative Bank. Its Board of Directors was also reconstituted by providing for additional Government nominees on it, as the State Government had guaranteed a loan to it by the Reserve Bank of India. In accordance with the Rural Industrialization Scheme, 133 rural industrial co-operatives

were organized by the State Government and the Scheme came into operation in the first instance in the Districts of Bangalore and Kolar. State-aid was mainly given to co-operative housing and cottage industrial societies. Rs. 12 lakhs were advanced by the State Government to co-operative house building societies. There were also a few minor schemes in progress in the State, with a view to assisting the co-operative movement in the State.

(xi) **Rajasthan** :—In the Alwar Region the State Government provided a sum of Rs. 1.65 lakhs for rehabilitating the movement through the local central bank. A Joint-Stock Bank at Bharatpur was also converted into a co-operative concern managed by a representative Board of Directors. In the Jodhpur Region, steps were in progress to obtain funds from a Joint-Stock Bank against the guarantee of the State Government for financing agricultural credit societies that were languishing for want of finance. Deserving societies were also given subsides to the extent of Rs. 56,900 by the Government. Steps were also taken by the State Government in order to strengthen the field staff and to train them in their work.

(xii) **Saurashtra** :—A Five-Year Plan of Co-operative Development in the State had been drawn up as far back as 1951 and the targets fixed thereunder were expected to be reached in 1956. A new plan was also drawn up with a view to rehabilitating the movement.

(xiii) **West Bengal** :—In order to revitalize the co-operative movement in the State it was found necessary in the first instance to strengthen the West Bengal Provincial Co-operative Bank. The State Government guaranteed accordingly a sum of Rs. 125 lakhs in respect of its frozen assets consisting of dues from banks in East Pakistan. In order to improve the finances of the Bank, Government also guaranteed the loans given to the Bank by the Reserve Bank of India, besides itself contributing a sum of Rs. 15 lakhs to the Bank's share capital. In addition to setting up a Committee for the rehabilitation of the central co-operative banks, a scheme for the reorganiza-

tion of primary agricultural credit societies was also under the consideration of the State Government. In order to revitalize the handloom industry and to organize it on co-operative lines, the State Government provided certain special staff from the Co-operative Department.

(h) The various schemes of financial assistance to co-operative bodies that were in operation in the Bombay State are briefly set forth below :—

(1) Scheme of financial assistance to meet the secretarial cost of rural credit societies. (This has already been dealt with).

(2) The scheme of subscription to the share capital of the Bombay Provincial Co-operative Bank under the Integrated System of Agricultural Finance to creditworthy borrowers in the State.

(3) The scheme of financial aid to multi-purpose societies.

(4) The scheme of financial aid to primary land mortgage banks.

(5) The scheme of financial aid to the Provincial Land Mortgage Bank.

(6) The scheme of financial aid to Co-operative Farming Societies.

(7) The scheme 'of financial aid to Lift Irrigation Societies.

(8) The scheme of financial aid to Marketing Co-operatives and Market Committees.

(9) The scheme of financial aid to Co-operative Housing Societies.

(10) The scheme of financial aid to Co-operative Housing Finance Society.

(11) The scheme of financial aid to Forest Labour Contract Societies.

(12) The scheme of financial aid to Co-operative Societies for Fishermen.

(13) The scheme of financial aid to Co-operative Dairies.

(14) The scheme of financial aid for purchasing tools and equipment to bona fide craftsmen.

(15) The scheme of financial aid to backward class artisans.

(16) The scheme of financial aid to the educated unemployed.

(17) The scheme for the giving of guarantee for loans obtained from financing agencies, by the industrial co-operatives.

(18) The scheme for the grant of Haskel Ghanies on loan-cum-subsidy basis.

From the foregoing facts it will be seen that the co-operative movement is now making rapid strides, and there has been continuance of Government aid in an increasing measure. Financial aid apart, there are several respects in which the co-operative movement has been assisted in the major states like Bombay and Madras as, for instance encouragement to societies relating to cottage and small-scale industries, preference in the distribution of controlled commodities or allotment of quotas to consumers' organizations, preference in the allotment of building materials. Such encouragement will, no doubt, go a long way in popularising the movement among the masses and thus help to build up a movement based on the ideals of self-help and mutual help. Whatever the apologists for official control may say, informed non-official co-operative opinion veers round to the view that any outside control over the activities of the co-operative movement should be of a purely temporary character and that the constant endeavour of the State should, as far as possible, be to free the movement consistent with its development from the fetters of external control. In this context, the Resolution passed by the F.A.O. Technical Meeting on Co-operatives in Asia and the Far East held at Lucknow in the year 1949 is worth quoting :—

"The role of Government in relation to co-operative societies should be one of active helpfulness intended to stimulate co-operative enterprise, to guide it and to keep it on sound lines without either attempting to compel or to replace local initiative and self-help. Government should, in addition, promote conditions under which co-operatives will thrive and develop."

PART II.

Reasons why the All India Rural Credit Survey Committee advocates State partnership and participation in the working of Co-operative Societies.

"Abandoning the trodden paths familiar to students of co-operation, the Committee propounds the view that in the context of rural economic conditions as they exist in India today, the co-operative method of organization is the only one that will protect and succour the small cultivator and promote the welfare of the weaker classes in the countryside who constitute the "priority groups" for policy. These groups would include the agricultural producers belonging to the scheduled tribes and castes, the small cultivators, the village handicraftsmen. Resourceless as these sectors of the community are, it is only State initiative and State association that can bring them into the co-operative field and make it possible for them to take advantage of the institutional facilities for agricultural credit and marketing as also, where needed for their supplementary or subsidiary occupations.

"That is the justification for the State partnership which is advocated by the Committee. Whatever the experience of co-operative movements of the economically powerful nations, especially in the West, in our present socio-economic set-up, where the economically under-privileged sections of the community are also educationally and socially backward, it is difficult for co-operative organisations to function effectively in the sense of their being able to cater to the basic needs of these sections. In the circumstances, the State has to step in and to participate in the common effort. As the Committee remarks: "active participation is called for because of two elements, an impoverished and undeveloped economy with a large social base (the whole of India for one thing) which is markedly, even rigidly, unequal in the distribution of wealth and status, and a programme for large-scale increase in production coupled with a large-scale decrease in inequality."

"Everywhere, the stimulus has to be given to local initiative and local effort. In the field of economic activity, the appropriate form of such an organized effort is a co-operative society. But, as the Committee of Direction had discovered, by itself such effort does not fructify in the social atmosphere we breathe today. It is for this reason that active State participation is needed, bordering on partnership. Nevertheless, a social institution run by the people concerned and the benefit of which accrues directly to them, is an indispensable instrument of planned economic action in a democracy. It takes us along the road to economic equality. In the process it teaches us the lesson that we need to relearn all the time if as a nation we aim at greatness, that "individuals and groups combine their diversities without sacrificing them, of combining them in such a way that the prosperity of each becomes an enrichment of all and the strengthening of all becomes a reinforcement of each"."

2. The following paragraphs indicate a brilliant exposition in the words of the Committee themselves as to how State partnership is absolutely necessary in the present economic and administrative set-up in India:—

"Co-operative Credit Movement in India has been inadequate in three important respects. There are large parts of the country which it has hitherto not covered: even in those areas to which it has extended, there are large sections of the agricultural population which still remain outside the membership and even if attention is confined to those who are members of co-operative credit societies, the large bulk of their credit requirements is met from sources other than Co-operative. What is not widely recognised is that the magnitude of this threefold inadequacy is such as to warrant from the quantitative as distinguished from the qualitative aspect, only one judgement, namely "failure", on the fifty years' record of the co-operative credit agency."

Among the causes of such failure are listed the following :—

(1) Laissez-faire policy of the State.

(2) Illiteracy of the people.

(3) The small size of the primary unit and undue reliance on honorary services for even day-to-day work with resultant inefficiency of management.
(4) Lack of business experience.
(5) Uneconomic holdings and antiquated methods.
(6) Inadequate transportation and storage facilities.
(7) Great price fluctuations and dearth of regulated markets.
(8) Exploitation by money-lenders and middlemen.
(9) Inadequate linking of credit with thrift and other co-operative activities.
(10) Tying up of funds in long-term loans.
(11) Overdues problem, and
(12) The frequent defects of management and shortcomings in the attitude and policy of central institutions.
(13) Low level of education generally and lack of training of co-operative personnel in particular.
(14) Lack of co-ordination on the part of Central Banks with societies on the one hand and with apex banks on the other. (In quantitative terms, i.e., proportion of total borrowings of cultivators met by co-operatives, some of the poorer records pertain to States that possess credit structures which are relatively well organised and well co-ordinated).

Some of the other important causes that are responsible for the "failure" lie deeper than the administrative defects such as lack of trained personnel; they are :—

(1) Chronic insufficiency of the farmer's income and consequent tendency of consumption to out-run production. Extension of credit facilities to small farmers through co-operative principle can be successful only if it is applied as part of a general programme of agricultural reorganization.

(2) One of the three objectives of co-operative economic development, of which co-operative credit development is only a part, has until quite recently been not

only outside the effective scope of the Indian cultivators' ability but, by and large, also outside the State's priorities interests and activities, except as limited unco-ordinated feature of policy.

(3) The cultivator is vitally concerned with two aspects of business, viz., (i) credit and (ii) the economic activity which follows production, viz., processing, storage and marketing. If he decides to transact any of these through a co-operative association, he finds that neither the society nor the organization is even one-tenth as useful to him as the money-lender, the trader or the miller.

"The opposition and competition which the co-operatives face at their different levels—base, middle and apex, is from a private set-up of trade and finance, which is not only much better organised in regard to its technical services but also much more adequately and powerfully financed from above. Financially and structurally, the one is a weak federation of weak units in which the poverty of the rural base is matched by the lack of strength of the urban apex, whereas the other is a strong, powerful and well-soldered projection from a relatively prosperous urban economy at the top into a rural sector of commercial activity and commercial domination at the bottom."

The co-operative society does not satisfy either of these needs—credit and marketing—except in small fraction and except in relation to a small number of cultivators. A more radical improvement in the position would be possible only if co-operative marketing is so effectively organised that produce of all farmers is channelled through the marketing society. A development of this kind would be possible only when the financial and technical resources of the marketing society are such as to be able (in conjunction with the credit society) to offer both credit and services on an adequate scale, the former in advance of the harvest, as the trader, the processor and the money-lender do, though not of course on the same usually exploitative terms.

The Committee of Direction in summing up these causes observe :

"The sum total of the attitudes and environments, psychological, sociological and other, of co-operative societies, central co-operative banks, apex co-operative institutions, commercial banks, insurance companies and the Central Bank of the country, consists in the climate of institutional credit: that climate in Indian conditions has been predominantly "urban" it is not yet congenial to rural interests and the fulfilment of rural needs. It is in this climate that the rural producer is expected, by and large, both by co-operative theory and Governmental policy, to combine with other rural producers, form co-operative associations at the village level and through them conduct his "business" in so far as it concerns credit. He is expected to do this without financial assistance of a significant order from the State, but with a great deal of administrative advice and guidance from it. Having formed an association, he is left to face the powerful competition of private credit, private trade (often private money-lending-cum-trade) and private organisation of industry, all of them deriving strength and support from the urban apex—whether of commercial banking and finance or of export and wholesale trade. In the same context, the rural producer is expected to organise himself co-operatively for the promotion of processing, marketing etc. of his harvest. Added to all this is the cleavage of interest in the village itself, with the bigger landlord, the village money-lender, the village trader etc. on the one side and the medium and small cultivator on the other .... in this combination resides the basic reason for the failure of co-operative effort at "better business" in its two-fold aspect of better co-operative credit better co-operative economic activity—"......

"........The failure of co-operative credit is explicable in terms of total impracticability of any attempt to combine the very weak in competition with the very strong and to expect them by themselves to create conditions, firstly, for their emancipation from the interests which oppose them and secondly, for their social and economic development in the

context of the severe disadvantages historically imposed on them by the structure of the type described. *The problem is not so much one of re-organisation of co-operative credit as of the creation of new conditions in which it can operate effectively and for the benefit of the weaker sections of the community.* The prevailing conditions cannot be transformed by the very persons who are oppressed by their existence. The forces of transformation have to be at least as powerful as those which are sought to be counteracted. Such forces can be generated not by co-operation alone but by co-operation in conjuction with the State."

After examining the various agencies, both private and Governmental, the Committee of Direction comes to the following conclusion :—

"Thus the problem of future policy presents itself as a two-fold consideration in the context of credit : Co-operation has failed but co-operation must succeed." In the opinion of the Committee, "the re-organization of agricultural credit must be based on some form of co-operative association of cultivators within the village itself. Notwithstanding the unsatisfactory record of co-operative credit, we believe not only that the co-operative system can, if the right conditions are created, work successfully in this country but also that for the Rural India as a whole and in particular for the development of the prosperity of her agricultural population, there is no real alternative to the adoption of the co-operative basis for the organisation of credit and economic activity."

Solution and the New Approach.

The problem of rural credit in India, observes the Committee, is not primarily of rural credit. Rather it may be said to be one of rural-minded credit. "From this point of view, most reforms of the co-operative movement have been in the nature of inevitably futile attempts to combine the weak against the strong in conditions in which the weak have had no chance. Thus effort has been concentrated on thrift, better living, multi-purpose etc., without the prior preparation needed for correct-

ing the maladjustment between the two economies. The area was cleared for a fight between the weak and the strong with the rules of the game heavily weighted in favour of the strong. Th first task is to rectify this position and enable co-operation to function properly. No criticism of that functioning is likely to be useful or fundamental unless those conditions are first created. No amount of small, administrative or functional or other changes can render co-operative organisation able significantly to help itself."

In the opinion of the Committee, that initial help, if it is to be of requisite magnitude and of a type which will enable the co-operative organisation to withstand the pressure of opposition of vested interests can only come from the State. The State's way of help hitherto has been to over-administer and under-finance. This is no remedy for a total problem, which is one not of rural-minded credit alone, but of rural-minded credit in conjuction with rural-minded development of agriculture and rural-minded organisation of marketing, processing etc. The line of solution would seem to be that of the State taking up the gap in the requirements of share capital, technical assistance, administration and organisation to such an extent that immediate strength is imparted, but in such a manner that this paves the way for the co-operative forces to gather strength and gradually replace the finances and services made available initially by the State.

The Committee's basic recommendations are the positive need for positive State association with the defined sector of commercial banking and the need for State initiative and State participation in the creation of suitable institutional means for the promotion of storage and warehousing on an All-India scale. This is briefly described as the " Integrated Scheme of Rural Credit" and is based on three fundamental principles of:

(1) State partnership at different levels :

(2) Full co-operation between credit and other economic activities, especially marketing and processing;

(3) Administration through adequately trained and

efficient personnel responsive to the needs of the rural population.

This integration of the State and the Co-operatives, in the opinion of the Committee, is based on the Directive Principles of the Indian Constitution. The State, as a Welfare State, and with an ideal of Co-operative Commonwealth, has the major responsibility to the agricultural sector, which is at present unorganised and weak and the only Plan that can restore vitality to the rural economy and on that vitality to build up the future prosperity of the common man, is the one which, as the first condition, imparts strength to both agricultural and rural industry. "Co-operation is a fundamental creed of action as a dynamic instrument of change, the opposite, on the one hand, of regimentation and on the other, of drift and stagnation and is recognised as a democratic form of organisation and a democratic instrument for not only the implementation of the State policies but also for the formulation of the policies themselves." It is only when co-operation is interpreted in this wider and more positive sense and State effort is conjoined to the fullest extent necessary with the co-operative endeavour that co-operation will be a potent force in the country's economic development. A new social and economic order cannot be built up without popular enthusiasm and the assistance of local leadership and initiative and, therefore, the "Co-operative" organisational structure closely integrated within the structure itself and with the National organisations and the State Government as envisaged by the Committee, can secure the objectives of the Welfare State and the aims of the National Plan.

In Bombay State the co-operative banking structure has already accepted the principle of State partnership and participation in so far as the Apex and Central Banks are concerned for the provision of credit to creditworthy agriculturists with such assistance as is at present available from the Reserve Bank of India. The results as indicated elsewhere have been encouraging both in regard to the content and extent of the credit, though, for various other reasons and circumstances

ingrained in the rural economy, as pointed by the Committee, the progress has not been entirely satisfactory. The Committee's assessment of that progress is recorded in the following words :

> "That the inadequate priority, which, in effect, if not in theory or intention, is accorded to agricultural credit could not have been wholly due to the inability of the primary society to lend any more than it does at present is clear from the example of Bombay where, with the adoption of a new policy, it has been found possible to advance considerably more to the cultivator through the existing primary credit society. Thus, as we have seen, it has been possible for Bombay to do without effecting much re-organisation at the primary level (as distinguished from higher levels at which re-organisation had to be effected) and without any significant re-organisation of co-operative marketing. If, for example, as the next stage in Bombay, there should be considerable re-organisation of the agricultural credit society at the primary level, coupled with similar strengthening and re-organisation of co-operative marketing structure at different levels, it seems clear that much greater progress will be possible in the manner and volume of disbursement of credit to the cultivator through the primary agricultural credit society. Such adevelopment, if it did happen to be brought about in Bombay, would be the second stage of progress in that State."

The Committee has suggested certain financial and functional re-organisation of the co-operative institutions and measures for the integration of the State, the Reserve Bank and the Co-operatives in the matter of such re-organisation. Its more important recommendations are :—

(1) Contributions of Share Capital by the State to the Apex and through it to the Central and primary units for credit, marketing and processing societies such capital being not less than 51% in the former

and to the extent necessary in the large sized primary and multi-purpose societies.

(2) Creation of a National Co-operative Development and Warehousing Board, to promote planned development, throughout the country of the co-operative processing storage and warehousing of such commodities and to give financial aid and accommodation and other forms of assistance to State Governments and through them to co-operative organisations.

(3) To set up an All India Warehousing Corporations and promote State Warehousing Companies and administer the National Co-operative Development Fund and National Warehousing Development Fund.

(4) Creation of (1) the National Co-operative Development Fund and (2) National Warehousing Development Fund out of an initial non-recurring contribution of Rs. 5 crores from the Government of India and a recurring contribution of not less than 5 crores every year for the two funds together, out of which Rs. 3 crores should be allotted to National Co-operative Development Fund and Rs. 2 crores to the National Warehousing Development Fund, these arrangements being reviewed at the end of every five years. The National Co-operative Development Fund will be utilised for making long-term loans to State Governments to enable them to subscribe to the share capital of co-operative societies, when undertaking activities which fall within the purview of the funds and for giving subsidies to State Government and through them to co-operatives for similar objects.

The National Warehousing Development Fund may be utilised for subscribing to share capital of the All India Warehousing Corporation making loans to

State Government to enable it to subscribe to the share capital of State Warehousing Company and making loans to State Governments and through them to co-operatives.

(5) Establishment of State Agricultural Credit (Relief and Guarantee Fund) which should be used in conjuction with the Government of India's National Agricultural Credit (Relief and Guarantee Fund), so that the Fund could be utilised for the purpose of writing off arrears of debts due to co-operative credit institutions, which become irrecoverable from causes such as widespread or chronic famine beyond the control of the co-operative institutions concerned. For economically backward areas or for areas largely inhabited by backward tribes and for economically backward occupational classes, - when special schemes of Government for their benefit are in operation, the State should take special responsibility and provide administrative, technical and financial assistance, including subsidies, guarantees etc., where necessary, to co-operative Banks which in the aspect of credit are participants in the programme of special development.

(6) The State Agricultural Credit (Relief and Guarantee Fund) should be created by contributions:

(1) from an annual budgetary provision by the State Government, and

(2) part of the dividend earned by the State Government on its share capital in the various co-operative credit agencies to the extent that such dividend exceeds a particular minimum.

(7) Creation of an Agricultural Credit Stabilisation Fund— (to be created within the co-operative credit structure); part of Government's dividend above a specified rate, should be earmarked within the insti-

tution itself for contribution to the Fund of that institution.

While the dividend payable to Government on its share capital in co-operative institutions (other than credit) should be funded by it into State Co-operative Development Fund), the contribution to this Fund would be proceeds from this dividend as well as substantial annual contributions from the State Governments.

(8) National Agricultural Credit (Long-Term operations) Fund to be created by a contribution of an initial contribution of Rs. 5 crores from the Reserve Bank to make long-term loans to State Governments for the purpose of their subscribing directly or indirectly, to the share capital of co-operative credit institutions.

Medium-Term loans would be given out of this Fund.

(9) National Agricultural Credit (Stabilisation) Fund to be created by a contribution of not less than Rs. 1 crore per annum from the Reserve Bank of India.

The Fund is to be utilised for granting medium-term loans to State Co-operative Banks in circumstances in which it is satisfied that the short-term loans of which repayment to it has become due, cannot be paid in due time without serious dislocation to the co-operative credit structure on account of famine, draught and consequently that the repayment of such loans or part of such loans may justifiably be permitted to be deferred.

Expansion and reorganisation of the Agricultural Credit Department of the Reserve Bank of India is suggested to assist in carrying out the integrated scheme of rural credit and the existing Standing Advisory Committee on Agricultural Credit is recom-

mended to be expanded and constituted on a more representative basis and appointment of a smaller body, an Advisory Council, including representatives of States, Economists and Co-operators is recommended for supervising the fulfilment of policies and offering detailed advice.

With the creation of the different Funds for strengthening not only the capital structure but also for meeting the risks involved in the financing of agriculture due to both natural and physical conditions, the entire scheme for the creation of institutional credit agency as an alternate agency for the money-lender through the co-operatives at various levels, as envisaged in the Committee's recommendation holds out all possibilities of success and greater progress. In a predominantly agricultural country like India the Central Bank (Reserve Bank of India) cannot well be divested of responsibility for development, operation and control of agricultural credit and, therefore, a major role for financial assistance, guidance and training as assigned to the Reserve Bank is a welcome recommendation. The Advisory Committee on Agricultural Credit of the Reserve Bank of India have accepted the recommendations of the Committee of Direction and have recommended that the Agricultural Credit Department should be placed in charge of a separate Deputy Governor with a rural bias so as to bring about a speedy and effective institutional credit system in the rural sector.

Without, however, a thorough reform of the operations of the co-operative credit structure and in particular of the primary credit structure, which its policies can only stimulate but not bring about, it would not be possible for the Reserve Bank to ensure that the whole of the credit provided by it is actually transmitted to where it is intended and not diverted in varying degrees to needs other than rural and purposes other than agricultural. This needs in the first place a proper understanding of the objective and of the operational system of the agricultural credit institutions and a concerted effort on the part of the different agencies to create such a system.

For the successful working of an institutional credit system the flow of capital should be simple, efficient and equitable and should aim at increasing productivity of the small farmer. "Credit to be an instrument of progress by getting the needed capital to those who can make good use of it, requires suitable background conditions, in the absence of which it may be as sterile as seeds thrown on dry sands of the desert. After all credit is a good thing only if so productively used that it provides a surplus after interest and principal are repaid; otherwise, it decreases the farmer's equity or it borders on charity which though necessary at certain times and places should not be confused as an instrument of agricultural progress." As Mr. Chester Davies, Consultant to the Ford Foundation, remarks: "The trouble is while institutional plan looks good, some new approach and some new force is needed to make it work. The approach should be carefully tested and planned. The movement has been hurt by waves of promotional enthusiasm which has superimposed co-operative societies on villagers when patient educational work had not laid the foundation for successful growth."

CHAPTER XVII

ECONOMIC PLANNING AND CO-OPERATION

Brief reference has already been made in an earlier chapter as to why economic planning in India has been rendered necessary. It is proposed in this chapter to pursue our studies further because of the over-riding importance of the subject-matter and the very important role co-operatives are assigned in the economic development of the country under the two Five-Year Plans.

2. **What is meant by Econcmic Planning?**—To plan means to arrange things beforehand. Every individual is in the habit of planning his expenditure practically in his own way, if he is not to run into debt. He may plan further so as to be able to save monies to be spent on clothing, holidays, furniture, education and marriage of his children, etc. Similarly, a business firm may arrange to make investments out of its funds in properties or build up reserves for a future contingency, and open new branches in order to put its resources to most profitable uses. Thus everybody is in his own way engaged to some extent in planning. But what are the effects of such unco-ordinated individual planning? A little reflection will show that although every one is planning in his own way, the results that follow from such unco-ordinated individual action are not at all planned but attended with undesirable social effects. Suppose, for example, that there is a demand for pencils, in a country. If a few manufacturers started on manufacturing pencils, there would be no difficulty in selling pencils because supply would equate demand. But if production of pencils were undertaken by many manufacturers in the pursuit of profit motive and in anticipation of demand as is done under an unplanned capitalistic system of production, the result would be that the supply would exceed demand with the resultant loss to the manufacturers. What is more important from the social point of view is that the limited resources of the country are wasted by being put to less remunerative uses and many people engaged in this particular industry would go without

employment because pencils can no more be manufactured. At the same time, factories for producing something more useful and which is in demand cannot be set up in sufficient numbers, and this state of affairs is known as a capitalistic dilemma-poverty amidst plenty, idle machinery side by side with unemployment. This is very strikingly illustrated in the dialogue between a coal-miner's boy and his mother; A coal-miner's boy on a chilly evening in winter asks his mother to prepare fire, but there is no coal in the house.

"How is it, mother, that there is no coal in the house?"

"My boy, it is because your father has lost his job."

"And why, sweet mother, he is so very honest."

"Because there is excessive raising of coal in the country."

Economic planning is supposed to rectify such situations or anomalies and the planning authority would estimate how much demand there is for each kind of goods or commodity and how many factories are being set up in each industry, and it ensures also that limited resources are not wasted on one industry alone. Economic planning, according to Durbin, is essentially a widening of the field surveyed when economic decisions are made. Economic decisions are those which involve the choice between alternative uses of limited resources. The resources, it may be noted, are not only limited but have alternative uses as well. Thus one is faced with the choice, and if the choice is made in regard to one end, one will have to give up some other. The decision one would make in selecting a particular use of the limited resources at one's disposal is styled an economic decision. Suppose, for example, an individual has two hours of leisure on a holiday. He may utilise these two hours in reading a novel or may decide to go to a picture-house or take rest or do one of a multitude of things. If one, therefore, were to choose to do one thing at a time, he cannot do something else, because the leisure is limited to two hours only. Thus once the decision is taken to do a particular thing or to use resources in a particular way, the decision, is regarded as an economic decision. But, in coming to this decision, it is not necessary that all the advantages and disadvantages

of making one particular decision as against another are taken into consideration, because there may not be enough information at one's disposal to make a correct decision. But when all the relevant facts are taken into consideration in making a decision, one is said to be planning. The advantage of planning is that one obtains greater satisfaction from the use of the limited resources. There are no two opinions about the fact that production and distribution of goods must be controlled so as to serve social ends. The main point at issue is : how much of this control should be invisible and how much of it visible. Invisible control is that which the market exercises through the operation of the forces of supply and demand and it is favoured by *Laissez Faire* philosophers and visible control is that which is organized by the State and is favoured by the planners. In a free economy, production is determined by demand and capitalists produce only those goods which they can sell at a profit. The quantities of goods thus produced are dependent on what the people demand and how much quantity of the same they demand. Again, producers cannot fix prices for goods as they like, because the forces of competition would always be bringing down prices to the level of costs and forcing capitalistists to improve their efficiency. Thus a free market acts as a powerful instrument of social control, directing production proportionate to demand and stimulating progress in an indirect way, curtailing excessive profits. The case against the market economy is not that it does not tend in its own way to do social good, but the question is whether State control would not do better as an alternative or even as a supplement. Sir William Harcourt is reported to have said in 1894. "We are all socialists now, and at present it is more true to say, that 'We are all planners,' because people have been gradually losing their faith in free or Laissez Faire economy since the World War II. Russia has adopted a completely planned economy and there have been bold and far-reaching attempts in U.S.A. at general planning of the economy. At extension of the economic power of authoritarian governments has been in evidence in Italy and Germany, and there has been some sort of financial and agricultural planning in England as well. The Electric Supply Act

of 1928, and placing the London Passangenr Transport Bill on the Statute Book was passed by the Conservative Party in England. It was this Party that set up the Exchange Equalization Fund and thus initiated the first stages of planning. Thus social control of industry implying supervision of private enterprise in the guidance of economic affairs has been agreed to by the largest political party in England. Thus some sort of partial planning is found in varying degrees in all advanced countries in order to rectify the defects of Laissez Faire economy.

3. **Disadvantages of *Laissez Faire* Economy.. Can Planning remove these?** In an unplanned system on a capitalistic basis less urgent goods or goods of a luxurious nature are produced for the rich people, while the poor lack education, health, good food, recreation and ordinary comforts of life. The price mechanism rewards producers according to scarcity of resources that they possess, but it does not equalize the distribution of scarcities. Among the strongest objections to the present economic and social order might be mentioned the great inequality of income leading to much social discontent. Some people work for bare sustenance, while others roll in wealth and idleness, and yet others acquire wealth by exploiting the rest of the community. For removing these inequalities, the State has to be invoked which alone can tax incomes from property more heavily than personal earnings, as inequalities in income can be traced more to incomes from property than differences of personal earnings of the people. The inequalities of income cannot be reduced by merely raising wages of workers, because to raise wages of workers in an industry would mean raising of the prices of products of that industry. If this leads to less demand for the same, unemployment may result. Differences in incomes can best be minimised by equalising opportunities of education and training and removing obstacles in the path of new entrants which some professional bodies and trade unions create with a view to increasing the incomes of those that are already in the professions or unions by creating shortages. The removal of such hindrances would not only go to reduce the inequality of incomes, but would also facili-

tate the removal of the defect implicit in the existing system, viz., difficulty of adapting production to changed demand. Greater mobility of labour would also help in reducing unemployment. Another alternative which has received a good deal of support and is being adopted in all advanced countries is a tax on inheritance as an integral part of the tax system. Death duties take two forms, viz., estate duty and succession duty. The estate duty is levied on the total value of the estate (both moveable and immoveable) left by the deceased, irrespective of the relationship of the successor. Such taxes on inheritance are justified on the ground that they make possible a more equitable distribution of wealth in the community and tend to remove, at least partially, the source of inequality of opportunity. The main case against the market economy is that it does not humanise the wage relation. The wage relation does remain, whether property is owned by capitalists or by the State. Employment for wages arises out of the divorce of workers and their instruments and any solution meant to humanise this wage relation can be real, if the State goes to their rescue and guarantees their rights and gives them some share of the control of industry. Thus it is to the State rather than to the price mechanism that labour can look for protection of its rights. It may be noted in this context that the guiding principles of economic activity in modern society are freedom of enterprise and individual rights in property. Under the competitive system which is the distinguishing feature of a Laissez Faire economy, everyone is free to have his own interest in the pursuit of wealth and he will be free to accumulate as much wealth as possible. In a competitive economy, the community relies on all branches of human economic activity—production, distribution, exchange and consumption—upon competition for securing justice between man and man and for obtaining a fair distribution of the products among the various factors of production and the State under a free economy does not interfere in economic matters. But experience has demonstrated that this policy of non-intervention by the State has been found to be impracticable with a productive organisation growing more and more complex. Thus it becomes necessary for the State to regulate private enterprise and

even to assume full ownership and control of the undertaking itself, whenever and wherever necessary.

4. **To reduce unemployment** :—One of the characteristic features of capitalism is the periodical slump resulting in the number of unemployed people. General unemployment is believed to be due to the failure of the community to adjust its economic organization to changing conditions. Unemployment is a pressing problem in modern industrial countries and it is the responsibility of the State also to fight it. Full employment can be said to exist when every able-bodied man is employed in doing that work for which he is best fitted. Full employment can be brought about only in a perfectly planned economy like that of Russia. In other countries the best that can be achieved is to keep the number of the unemployed as low as possible. The following are the causes of unemployment :

(1) Deficiencies in industrial training leading to an over-supply of unskilled labour.
(2) Strikes and lock-outs in principal industries.
(3) Existence of a class of unemployables.
(4) Changes in industry due to changes in styles or fashion.
(5) Foreign competition.
(6) Exhaustion of national resources.
(7) Immobility of labour.
(8) Trade fluctuations.

Various remedies have been employed from time to time to fight unemployment in every country by the State. It requires also a detailed planning by the State of a technical as well as economic nature. To keep unemployment down, the usual remedies found are :

(1) Establishment of Employment Exchanges.
(2) Introduction of schemes of social insurance.
(3) The Beveridge social security plan in Great Britain.

5. **To prevent monopolies** :—"Monopoly is defined as the sole power to deal in anything or the possession of a licence to trade exclusively in a certain commodity." Monopolistic organizations are a marked feature of modern industrial conditions and may exist in a variety of forms. They may cover a small area or may even extend to the length and breadth of a country. They may be permanent or temporary or the result of an exacting agreement or merely of informal arrangement between producers or dealers to observe a certain price list or to conform with certain conditions of sale. But one common feature of these organizations is the policy of eliminating or restricting competition. The existence of monopolies affects consumers, the quality and quantity of goods produced, as well as the use and remuneration of the agents or factors of production. The monopolist generally reduces the output so that he might charge a high price and increase his profit. This attitude on the part of a monopolist is anti-social and the State is invoked as the custodian of the public interests to intervene and curb the profit-hunting motive of the monopolist with a view to safeguarding the interests of the consumers.

The instances quoted above go to demonstrate how State intervention in economic activities pursued by private individuals under the modern competitive system becomes essential. The State can initiate effective measures to reduce the inequality of incomes, to reduce the power and privilege of property, to remove social injustice to maintain full employment and to raise the standard of living of the people. If the sordid evils of a competitive or free or market economy are to be tackled effectively, the State has to resort to some sort of planning, but it should be remembered that the State itself is not an omnipotent organization and in invoking the State we must be careful to see that it is not made totalitarian.

6. **Economic Planning by the State** :—It may be noted that economic planning and planned economy are not one and the same thing. Planning is possible in any form of economy. Even under capitalism, all the fundamental institutions, viz.,

private property, individual enterprise and initiative, may be functioning but a much greater State control can be conceived, so as to bring about social and economic justice as between individuals. We may also conceive of a socialist economy without any conscious or determined plan. But what is important to note is that planning would involve some form of socialism, if it is to be put on a sure or stable footing. State economic planning is mainly undertaken to prevent individual planning having undesirable social results, e.g., it may be essential to prevent unemployment or the misuse of resources etc. A planned economy, on the other hand, goes much further than this and implies that the whole administration of a country's resources is arranged beforehand to obtain some pre-determined result. Resources referred to here mean not only land, buildings, machinery or other forms of material wealth, but also people. A planned economy concerns itself with a pre-determined policy of production and consumption and making decisions as to what to produce and what not to produce. This decision mainly rests with one single authority for planning and co-ordination of various economic activities. A planned economy thus affords little scope for individual planners to decide about the expenditure of their incomes or the use of their labour or the invesment of their savings. Neither would planned economy permit trade unions to agitate for fewer hours of work or higher wages. A planned economy is generally totalitarian in its scope and all economic activities are regimented by the State which is usually totalitarian. On the other hand, a democratic State may also resort to planning from a variety of motives, viz., the reduction of unemployment and the power of capitalists, the prevention of monopolies and the better utilization of the resources of the community. Thus the method of planning adopted would depend on the ends sought and the method of planning adopted by a totalitarian State would be entirely different from the method adopted by a democratic State. In a rigid planned economy of the type adopted by Germany or Italy or Russia, a rigid centralized control of the entire economic life of the community came to be exercised, which is not at all the case in a democratic country undertaking planning. The essential features of State planning are :—

(1) It is conscious and deliberate with a definite aim;

(2) There is one single undivided authority for planning and co-ordination of various economic activities;

(3) The entire economic field is subject to planning; and

(4) All the available resources are scientifically distributed so as to secure the general welfare of the community.

The success of economic planning depends on:—

(1) capacity and integrity of planners :

(2) ability and capacity of public servants to forecast consumers' wants;

(3) responsiveness on the part of public servants to the incentive of social ideal:

(4) responsiveness of the people to the incentive of economic and social betterment; and

(5) ability to resist temptations (bribery or blackmail) on the part of public servants which are deliberately offered by political parties, trade unions, etc.

7. **Co-operation and Economic Planning: In what way would the Co-operative Movement be affected by Economic Planning?** Just as other businesses would be subjected to the plan, the business run by co-operatives would also come within the purview of the plan. This means that in the case of the consumer co-operatives in a country like England, prices, wages, trade and production would be fixed by the planning authority. The managements of co-operatives will have simply to register the commands of the planning authority and thus they would be responsible not to the general body of members but to an outside authority resulting in the disappearance of the democratic control. Voluntarism would also disappear and dividend on purchases would be abolished by the planning authority. Thus if co-operatives were absorbed in the planned economy, the distinguishing features of a co-operative society would be given the go-by. It would be difficult also for the co-operative movement to continue to function as a free movement, because the steady expansion of its activities—both

production and trade—would come into conflict with the central plan. There may be, therefore, economic planning which may be found objectionable by co-operators, because such planning may :—

(a) not be subject to effective democratic control;
(b) maintain privilege and profiteering;
(c) be based on interests of particular groups;
(d) rob the individual of his freedom necessary for good life;
(e) be so totalitarian in scope that the individual has no place at all in the scheme of things;
(f) be less efficient in the use of productive resources, with the result that the consumer's wants may not be satisfied properly and in consequence, a lower standard of life might result; and
(g) be such as to be destructive of world peace and preventive of the development of the co-operative movement.

Such planning would, therefore, have to be resisted by co-operators. Again, we can also conceive of a different kind of planning which would eliminate disadvantages of the type of planning referred to above, and such sort of planning can be undertaken by the State and would partake of the nature of reduction in inequality of income and the power and privilege of property, removal of social injustice between man and man and co-operators can wholeheartedly welcome such planning.

8. **How far is the Voluntary Principle of Co-operation compatible with State Planning?**—The main question posed in this context is what should be the outlook and attitude of those in charge of the co-operative movement, in regard to the voluntary principle in the light of the altered conception of the modern state which assumes specific responsibilities, for the development of resources and for the promotion of democracy in the economic life. A question is also asked as to how the rate of progress of the co-operative movement can be

accelerated and the plan of its development carried out, if the State has to depend merely on voluntary co-operation for the purpose, and what should be the position of the co-operative movement, vis-a-vis the Welfare State.

These questions are often asked and have been exercising the minds of co-operators in this country for some years past. As far back as 1939, the Thirteenth Conference of Registrars passed a resolution to the effect that persons should not be compelled to join a co-operative society; nor should the decision of such a society be binding on non-members except in cases involving the provision of some Utility service which at least two-thirds majority of those concerned desire. This view was later modified in 1944 by a resolution passed in the Registrar's Conference to the extent that "Where execution of a plan required action by all members of an economic category or group, it should be made compulsory for all either to join a co-operative society or otherwise to carry out the plan." The All-India Co-operative Planning Committee went on to say that "the voluntary principle governing admission to membership of a co-operative society should be respected and that no one should be compelled to join a society. In certain kinds of co-operative activities like consolidation of holdings, crop protection or irrigation, if compusion is not introduced it is likely that an object essential for economic progress will not be attained. We, therefore, recommend that in the larger interests of the country the resolution passed by the members of a co-operative society who from two-thirds of the community affected should be made binding by law on non-members." The F.A.O.'s Technical Meeting on Co-operation in Asia and other Far Eastern Countries held at Lucknow in 1949, defines, as already mentioned, the role of the State in relation to the co-operative societies in the following words:—

"The role of Government in relation to co-operative societies should be one of active helpfulness intended to sitmulate co-operative enterprise to guide and to keep it on sound lines without either attempting to compel or replace local initiative or self-help. Government should, in addition, promote con-

ditions under which co-operatives will thrive and develop. While recognising, therefore, the essential voluntary character of the co-operative movement, where there is need for the provision of a common essential economic service or where the larger interests of the community require it, a resolution passed by a co-operative society should be made binding by law on non-members, provided that a substantial majority of persons and economic interests affected by such a resolution accept it." Thus there has been a slight shift in the direction of thought in this country in regard to the ideal of pure voluntary co-operation. A compromise with it is favoured even amongst the informed circles of co-operators, but it must not be understood that co-operative opinion favours compulsory co-operatives advocated by the Agrarian Reforms Committee appointed by the Indian National Congress. On the contrary, co-operative opinion is definite and regards compulsory co-operatives as a contradiction in terms and believes that the distance between such compulsion and regimentation of economic life is short. Co-operative opinion goes to favour compulsion only in so far as it is necessary to bring into line recalcitrant non-members forming a minority who may be holding up the development of economic services or thwarting the larger interests of the community. Schemes of better irrigation, consolidation of holdings, co-operative farming, marketing of crops should not be postponed or held up by recalcitrant minority when they are backed up by a substantial majority of persons and economic interests affected. Examples of legislation to ensure this may be found in the recently amended Co-operative Societies Act of 1925 in the Bombay State, under which provision is made for compulsory contribution by dissident minorities in an area to schemes of co-operative farming adopted at the instance of the majority of persons affected by them in the interests of the general community. A parallel to this may also be found in what is called the Queensland Plan of 1923 in Australia, under which provision exists to the effect that "Where a stated majority of the producers of a stated proportion of an agricultural crop desire to market their crop co-operatively, they should have power to initiate a scheme which should be compulsory for all producers of that crop in that area." Similarly

provision is also made in the Co-operative Societies (Amendment) Act of 1925, in the Union of South Africa and the only product which has come so far within the ambit of the Act is tobacco, the producers of which are required to sell their leaf through co-operative organizations.

This element of compulsion can be resorted to only in exceptional circumstances mentioned above. In view of the conditions of a vast country like India, it is necessary that the ordinary voluntary principle of co-operation should be respeced and regimentation avoided. Planning may be of two kinds, viz., planning by direction and planning by persuasion or inducement. In a country like India having diverse conditions of climate, soil, social life, size of holdings, different forms of land tenure (these are now being reduced by legislation), it would be next to impossible to direct planning by means of directives issued from a central authority. Besides, such planing would be ill suited to the conditions of the country. It is obvious that even if planning is decentralized and schemes suited to local conditions are prepared, that execution may be held up for want of local enthusiasm, and lack of proper administrative personnel. The execution of plans is, therefore, dependent on the creation of conditions and incidents of work in such a way that a large number of people could go in for it. It is felt that the best means of enlisting the enthusiasm of the people is by means of education, propaganda, persuasion and demonstration. Apart from persuasion and education. inducement like the provision of credit facilities and the supply of improved seeds and agricultural implements at concessional rates may be offered to the farmers in order to induce them to form co-operative societies, while these concessions may be denied to those who refuse to join. The All-India Co-operative Planning Committee justifies such a procedure, as the State would find it easier and more economical to deal with organized units than with unorganized individuals. The State would also find it easier and more economic, in the opinion of the Committee, to supervise and ensure the proper use of the facilities offered by it, if it had to deal with a number of organized societies. The idea of implementing a State policy by

denial of privileges, the Committee avers, has found its most recent expression in the U.S.A. The U.S.A. Administration wanted to regulate the production of agricultural commodities like cotton. It, therefore, passed the Agricultural Adjustments Act, 1933, under which a reduction in the acreage or in the production for market could be effected through agreements with producers or by other voluntary methods. The Committee further adds : "Besides, the hope of price enhancement which such reduction held out to farmers, further inducements were offered by rental or benefit payments in such amounts as the Administration deemed fair and reasonable. In practice, payment for agreements to reduce production took a wide variety of forms. This policy of indirect compulsion by denial of concessions has been working successfully ever since. With action of this type coming into vogue, after public opinion has been awakened in support of such a policy, legal compulsion would not be necessary."

In the atmosphere engendered in voluntary co-operation, a constant interchange of opinions is facilitated as between the central planning body and the individual unit carrying out the plans in the countryside. An active co-operative movement based on voluntarism can not only materially assist in implementing the plans but would also provide a corrective to those plans by bringing to the notice of the planners the reaction of local circumstances, local opinion and local differences. The importance of the part played by the co-operative society in democratic planning is very well emphasised in the following words by the Co-operative Planning Committee :—

"The co-operative society has an important role to play as the most suitable medium for the democratisation of economic planning. It provides the local unit which can fulfil the dual function of educating public opinion in favour of a plan and of executing it. In carrying out its plans, the State will wish to enlist the goodwill of the sections of the community for and through whom planning has to be undertaken. In this task, it can derive considerable assistance from a body organized for a definite economic purpose and designed to

carry out effectively this work of education and the awakening of a live interest in schemes of social and economic betterment The co-operative society will study the implications of the plan and explain them to the individuals who constitute its membership. By making the plan popular, it will better create the asmosphere needed for its execution, voluntarily.

Co-operation has been described as the keystone of an arch without which technical knowledge offered from the side of the State and enterprise on the part of the people will not succeed in supporting a progressive rural economy among millions of small farmers and cottage workers. It is only through organized bodies built upon the smallest and the most numerous economic units that large-scale improvements can be introduced successfully. Such an economic unit need not necessarily be confined to a village. A feature of the co-operative system which renders it particularly attractive is its extreme adaptability. The institutions organized can be so adjusted in their methods and practices as to suit the diverse requirements of the various elements comprising the social structure, and persons with different ways and habits of life and with different economic needs. Co-operation has helped, in several countries, The method of federation adopted in the movement imparts to it the strength which individual institutions standing alone obviously lack. By this means, the movement secures that degree of concentration which is needed for effective functioning in a modern community; and for this reason, it appears to be about the only machinery that reconciles the conception of large-scale economic planning with individual enterprise and initiative."

The co-operative movement, it may be noted, has survived the test of time and may also be expected to survive the present trends towards increasing State control and direction in economic matters. The co-operative movement according to the opinions of many co-operators, should never allow itself to be an integral part of State administration, as it might lead to a denial of initiative, regimentation and authoritarian control. It is up to the workers in the co-operative field, as already

mentioned, to exercise a certain amount of self-restraint and self-denial, so that the movement does not expand beyond its resources both in money and men. Public opinion in India has always been demanding a rapid expansion of the co-operative movement, with the result that the State-aid has to be invoked with its implied reliance on the State. What is important to remember is that the rate of progress of the movement should not be pushed beyond the point where it is unable to maintain its individuality and independence of action.

In this context it would be interesting to recall what Prof. G. D. H. Cole thinks of Co-operation in relation to a socialist state in his book entitled "The British Co-operative Movement in a Socialist Society" : The relationship or attitude of aloofness of the co-operative movement, Prof. Cole avers, might have been the proper one to adopt when the only alternative was a subordinate partnership with uncontrolled capitalistic enterprise. With a Welfare State this relationship, according to Prof. Cole, should be that of a constructive partnership. Prof. Cole avers that Co-operation cannot supplant and replace capitalistic individualism and competition by a new order based on common ownership and community living if co-operators rigidly adhere to the principle of voluntarism and if their only hope of making "an end of capitalism is by a very gradual process of beating it at its own game." Co-operatives may have succeeded in the restricted sphere of organization of consumers, in preventing adulteration or in cheapening the cost of living, or in providing outlets for small savings, but in other spheres the progress achieved in Britain has been much slower and less substantial. Thus Prof. Cole pleads that the outlook and atttiude of co-operators must change not only in regard to the voluntary principle but also in respect of its relationship with the State. There is not much distance, Prof. Cole states, between voluntarism and anti-socialism. The best chance of preventing socialism, according to him, from degerating into bureacracy is to enlist the believers in voluntary principle on the side of those who accept the need for compulsion, if such compulsion is necessary to do a job properly. "The co-operative movement can claim a high and honourable place in the

structure of new society, only if it is prepared to play an active and imaginative part in bringing that society into being."

3. **Should the Movement plan itself? :**—In Britain there is a general plan of co-operative development known as the Rochdale Plan for consumer co-operation. It is not, however, a plan in the sense that certain objectives are to be achieved by a certain time and that each society has specific tasks to perform in fulfilment of those objectives. The Ten-Year Plan of 1934 was drawn up, but the outbreak of War in 1939 upset that plan. It may be possible to make plans for co-operative development in general and for short periods. Adaptability to changing circumstances is a characteristic feature of a dynamic movement like the co-operative and, provided the ideals and principles are rigidly adhered to, there should be no objection in adapting the co-operative method to changing conditions. No doubt, the democratic character of the co-operative movement would make planning somewhat difficult but planning by persuasion and inducement cannot be ruled out. The co-operative, movement is based on the belief that people co-operate voluntarily and freely for most of the purposes of social life. Voluntary co-operation works successfully It is a practical movement to judge from the variety of the forms it has taken, its adoption by various people in many parts of the world, and its adaptability to changing circumstances.

4. **Is Planning of the Co-operative Movement consistent with its principles of Voluntarism and is there any apparent contradiction between Planning and Co-operation?**—It is argued that planning in co-operation would imply a departure from the principle of voluntarism, inasmuch as some form of compulsion is inherent in planning and that if co-operation is to find a place in economic planning undertaken by the State, the principle of voluntarism must undergo modification. Enough has already been said to show that the principle of voluntarism is not at all affected and it would be possible to carry out plans of co-operative development by a denial of privileges to those who refuse to join co-operative societies. It now remains to

see whether any contradiction is involved if the co-operative movement were to carry out the plans visualized by the State and which are for the wholesale and economic betterment of the people. The Co-operative Planning Committee writes in this context as under :—

"Planning necessarily implies direction by the State and we envisage official guidance in co-operation as in any other kind of planning. There is nothing revolutionary in this. The State should educate public opinion as to the most suitable lines of co-operative development and provide the atmosphere and facilities for such development, the object being to foster a spirit of mutual help and self-reliance amongst the people. No plan of co-operative development drawn up by the State will succeed unless it is accepted by the people and becomes a part of their ideology. The co-operative agency can successfully carry out the plans of the State only if they are worked out by the people and for the people. It is necessary, therefore, to enlist the full support of non-official workers both in drawing up and carrying out plans of co-operative development. The machinery of consultation and administration must be so designed that there is constant interchange of views and opinions between the non-official workers and the officials. It should then be possible to modify co-operative plans of development in the light of popular opinion.

5. **Targets for Co-operative Development in India**:—The Co-operative Planning Committe has drawn up comprehensive plans of co-operative development which are being gradually implemented by the various States. In paragraph 8 of Chapter III of their report, they have recommended that an attempt should be made to bring 50 per cent. of the villages and 30 per cent. of the rural population within the ambit of the reorganized primary societies within a period of ten years in two five year periods. It has also been further recommended that the membership of a primary society should be at least 50. In referring to these targets, the Committee writes as under :—

"These targets are but approximations and of general applicability. The plans that we indicated regarding the number of societies to be organized cannot follow any mathematical pattern. Thus in backward regions the rate of development will have to be slow, particularly in the initial stages. We envisage a planned and stable development of the co-operative movement. Viewed in this light, our targets do not appear to be unreasonable or over-ambitious."

Targets have already been reached in the Bombay and Madras States.

II. The Five-Year Plan In India. 1. WhyPlanning in India? In the nineteenth century when England was the workshop of the world, the principle of individualism or economic liberalism held sway. The supporters of individualism believed that human welfare is best served if economic activity proceeds unhampered by State interference. The World War (1914-18) made a strong breach in this principle of non-interference by the State in economic matters. The great economic depression of the 1930's called upon Governments everywhere to frame bold economic policies. The Global War has brought the State as a regulator of economic life to the forefront. It is more and more realized that State interference in economic matters is necessary for the realization of social and economic ends. It has also come to be recognized that the State has duties other than the provision of an army, navy and police, and that defence of a different kind has been found to be necessary. The State representing the community must enforce right against might, protect the weak against the strong, prevent the exploitation of the poor by the rich, and must be able to fight poverty and disease, which have dreadful effects upon the social and the political order. The governmental machinery is now used more freely in carrying out a proper allocation of the resources of the community and in bringing about an equitable distribution of wealth in a variety of ways. State control and regulation have been now extended to cover every aspect of economic life. The modern economist sets no limits to State activity, provided it leads directly

to the benefit of society. As already referred to earlier, it is the State alone that can distribute the available resources of a country on scientific lines in the interest of general welfare. Thus wise planning by the State enables a nation to make the best use of its resources in men, money and material. The success of the first Five-Year Russian Plan provided the stimulus for undertaking plans for the rehabilitation of war-shattered economy in many other countries. Similarly, many plans were also put forward in India for regulating her internal economy. The Indian National Congress had conceived the idea of planning as early as 1938 and had set up the National Planning Committee with Shri Jawaharlal Nehru as its Chairman. With the outbreak of the World War II and imprisonment of several members of the Committee, the work could not be proceeded with, though the valuable material collected by the Committee was published. With the advent of Independence in 1947, the country was faced with manifold problems of complexity to fight which the State and Central Governments had prepared their own plans of Post-War Reconstruction even during the currency of the War. Several other plans also followed and the first and most carefully thought out plan that evoked a good deal of public discussion was the one known as the 'Bombay Plan' framed by eighty industrial magnates, and it was published in 1943. It aimed at trebling the per capita income in fifteen years, which meant only doubling of the per capita income, if proper allowance were made for the increase of population during the period of fifteen years. It also aimed at increasing industrial output by 500%, agricultural production by 130% and income from services by 200%. It ultimately had the idea of providing every Indian a balanced diet, 30 yards of cloth per capita; reasonable house accommodation and adequate educational and medical facilities. Then there was the People's Plan better known as the 'Royist Plan', which was more liberal in providing the necessaries of life. This was followed by the Gandhian Plan prepared by Shri Agarwal to put into practice Mahatma Gandhi's opinions about the production and standard of living. None of these plans had any authority to back it up, and they remained on paper only, and when the World War was over, there was

practically no definite plan before the country. Thus both the Central and State Governments, as already mentioned above, had undertaken Post-War Reconstruction Schemes, but what the situation needed was an overall picture of the country's needs and resources and a definite plan of work. The Planning Commission took its birth in 1950 with a view to assessing the resources of the country for their proper utilization and for the purpose of raising the standard of living of the masses. The standard of living among the people in India is the lowest in the world, because too many are dependent for their subsistence on land and there is a frequent occurrence of floods or famine, with the result that sufficient food is not grown even at a lower level of subsistence. Owing to decay of village industries, there is not sufficient work for the village population and urban industry has not expanded sufficiently to feed the surplus rural population. Despite stagnant economy, the population of the country is constantly on the increase and a small proportion of children gets education. There is unemployment among the educated middle-class people whose standard of living has been adversely affected by the War time and Post-War inflation and consequent fourfold rise in prices. The standard of health of people is very low. The annual average per capita income is 265, while the average longevity of life is 32 years. The country has not got enough number of doctors, nurses and hospitals. Illiteracy is common and only 17 per cent. of the people know how to read and write. Thus measures had to be taken to remedy the evil effects of the war and partition of the country, to bring down prices, to raise production and to distribute the short supplies of goods and services in a fair and equitable manner. No civilized Government could, therefore, remain indifferent towards or view with equanimity, such an economic situation. The Government of India, therefore, realized that no satisfactory progress could be achieved unless the basic defects in the economy were remedied by undertaking a comprehensive economic planning which would embrace reorganization of agriculture, development of industries, means of communication and transportation, stabilization of banking, marketing, foreign and internal trade. It was also further realized that if a rational distribution of wealth

were to be effected, a radical change in the system of taxation as also social legislation of a comprehensive nature, providing amenities to the poor was the need of the hour, and the sooner it was put into effect, the better. Thus the Planning Commission appointed by the Government of India submitted a comprehensive Report in the shape of the Draft Five-Year Plan covering a period of five years from 1951 to 1956. After considering the various criticisms and sugestions made by the public, the Plan was improved upon and presented to the Union Parliament in its final form in December 1952, and it represents the 'largest measure of agreement among the different sections of the people.'

2. **Objectioves of the Plan** :—The First Five-Year Plan was conceived as the first in a series of such Plans aimed at substantially raising the economic and social standards of the people. The Plan contemplated an increase in the national income from Rs. 9000 crores to Rs. 10,000 crores and the doubling of the per capita income in about 27 years from the base year 1950-51. Since there is great inequality between the rich and the poor, the Plan sought to do away with such disparities in the distribution of wealth with a view to reordering society on a more equitable basis. The Plan provided for both private and public enterprises calculated to promote the welfare of the common people. Consumption standards are during this period to be raised by a little over 70%. During the First Plan period, that is, between 1951-56, the national income was to go up from about Rs. 9000 crores to about Rs. 10,000 crores—a rise of about 11%. Since economic progress required a large amount of capital accumulation, it was visualised that the rate of saving as a proportion of the national income will have to go up by 11% by 1960-61 and by 20% in 1967-68.

3. **The First Five.Year Plan and its Details**:—The First Plan being essentially one of laying the foundation for more rapid development in the future, its targets of investment and increase in production were rather modest in comparison with what had to be achieved within the next twenty years or so. The distribution of proposed expenditure in the development

programme of the public sector during the First Plan period is given in the table below. Initially, an outlay of 2069 crores was proposed and it was later raised to Rs. 2356 crores.

	Particulars of Heads	*Total Provisions (in crores)*	*Percentage of total*
1.	Agriculture and Community Development	357	15.1
2.	Irrigation and Power	661	28.1
3.	Industries and Mining	179	7.6
4.	Transport and Communications	557	23.6
5.	Social Services	533	22.6
6.	Miscellaneous	69	3.0
		2356	100.0

4. **Emphasis on Agricultural Development in the Plan :—** Though the economy of the country is predominantly agricultural, the production of food and other crops have been found to be insufficient to meet the growing needs of the people. Since the World War II, the imports of food-grains averaged about 3 million tons a year. In order to meet the needs of the growing population, production of both foodgrains and of commercial crops has to be stepped up considerably. The latter are needed not only for supplying our manufacturing industries but also for exporting a large proportion of these crops with a view to obtaining foreign exchange. The Plan visualised a target of 76 lakhs (7.6 million) of additional food production, by the end of the First Five-Year Plan period. This target of 7.6 million tons of foodgrains consisted about 4.0 million tons of rice 2.0 million tons of wheat, 1.0 million ton of grains and pulses and 0.5 million ton of millet. Thus agricultural development along with irrigation and the generation of electric power had the highest precedence during the Plan period. The development of transport and communications also received a high priority. This had, however, the effect of limiting the investment by the public authorities on industries. Industrial expansion in the First Plan period was, therefore, left largely to private initiative and resources. The actual outlay in the public sector over the five-year period was about Rs.

1960 crores or 17% less than the revised target of Rs. 2356 crores. The annual phasing of the outlay is given below :–

1955-56.	612
1951-52.	259
1952-53	273
1953-54.	340
1954-55.	476
Total	1960

5. Financial Resources :–The position in regard to the financing of the outlay of Rs. 1960 crores was as follows :–

(i)	Resources made available out of revenue account (inclusive of railways' contribution). ..	745
(ii)	Loans from the public ..	203
(iii)	Small savings and unfunded debt ..	300
(iv)	Other miscellaneous receipts on capital account ..	100
(v)	Resources raised from domestic budgetary sources, (i) to (iv). ..	1348
(vi)	External assistance. ..	197
(vii)	Resources raised through deficit financing ..	415
	Total	1960

6. **Targets and Achievement** :–It may be noted that both the short-term and long-term objectives of the First Plan were, by and large, achieved. Domestic production was stepped up and the economy was considerably strengthened. Inflationary pressure was practically eliminated. The price level at the end of the Plan was 15% lower than at commencement. The Report of the First Plan and its achievements summarises the results in respect of achievements as under :–Over the period of the First Plan there was an increase of some 18% in the real national income. In terms of 1952-53 prices, the national income went up from 9110 crores in 1950-51 to Rs. 10,800 crores in 1955-56. This has been accompanied by an improvement of about 11% in per capita income and of 9% in consumption expenditure per head. Output of foodgrains increased by 20%

of cotton by 45% and of oil-seeds by 8%. Six million acres of additional land have been brought under irrigation through major works and another 10 million acres have benefited from smaller irrigation works. With increased supplies of fertilisers and seeds and the expansion of the National Extension Movement, the outlook in agricultural production is distinctly bright. Industrial production has also gone up steadily. In the public sector, several important industrial projects have been completed. There has been considerable need to promote investment especially in producer and capital goods industries. The preliminary work in connection with the installation of the three steel plants and the heavy electrical plant has been completed and the foundation laid for the larger industrial developments to be undertaken in the Second Five-Year Plan period. On the whole, the plan has achieved satisfactory results. Total net monetised investment in the economy over the first plan period is estimated at roughly Rs. 3,100 crores in terms of 1952-53 prices. This gives an average rate of investment of 6 per cent. of national income. Broadly speaking, the rate of investment has risen from 4.9 per cent in 1950-51 to 7.3 per cent in 1955.56. Investment now is running at a significantly higher rate than before the plan commenced. The step-up in investment has not been acompanied by inflationary pressures. In fact, prices at the end of the first plan period were lower by 15 per cent. than when the plan started.

These gains notwithstanding, the fact remains that living standards in India are among the lowest in the world. The average intake of food is still below accepted nutritional standards. The consumption of cloth per capita is around the pre-war level. Housing is inadequate. About half the population has on an average only Rs. 13 per month to spend on consumer goods. The rate of population growth is not higher than in some advanced countries but the annual addition of 4.5 to 5 million represents an absolute increase quite large in terms of the resources required to maintain even existing standards. This makes it particularly difficult to increase the supply of tools and equipment per head. Employment opportunities in the country have not kept pace with the increase in labour

force. Nor has investment in the First Plan been sufficient to absorb the new entrants to the labour market and there is a back-log of unemployment and underemployment to be made good. In the Second Plan period, investment and employment have thus to be increased more rapidly.

7. Targets and Achievements in the Agricultural Sector of the Economy are shown in the following table :—

	1950-51	Increase by 1955-56 (Plan target	1955-56 (achievement)	Increase in 1955-56 over 1950-51	Achievements in 1955-56 as percentage of Plan target
Agricultural Production :					
Foodgrains (lakh tons)	540 (b)	76	635	+ 95	125.0
Cotton (lakh bales)	29.1	12.9	40.0	+ 10.9	84.5
Jute	32.8	21.2	41.6	+ 8.8	41.5
Sugarcane in terms of gur (lakh tons)	56.2	6.8	58.6	+ 2.4	32.4
Oilseeds (lakh tons)	51.0	3.6	56.0	+ 5.0	130.6

III. Second Five-Year Plan and its Objectives :—The Second Five-Year Plan covering a period of five years from April 1956 to March 1961 was submitted to and passed by Parliament in May 1956. The main objectives of the Plan as set out in the Report of the Planning Commission on the Second Five-Year Plan are the following :—

(i) A sizeable increase in national income so as to raise the level of living in the country;

(ii) Rapid industrialisation with particular emphasis on the development of basic and heavy industries;

(iii) A large expansion of employment opportunities; and

(iv) Reduction of inequalities in incomes and wealth and a more even distribution of economic power.

The proposed development outlay of the Central and State Governments amounts to Rs. 4,800 crores over the period of the Second Plan, as compared with the revised target of Rs. 2356 crores and actual outlay of Rs. 1960 crores under the First Plan.

2. The following table gives the distribution of Plan outlay by major heads of development as compared with the First Plan.

Particulars	First Five Year Plan: Total Provision (Rs. Crores)	First Five Year Plan: Per cent	Second Five Year Plan: Total Provision (Rs.Crores)	Second Five Year Plan: Per cent	Percent increase of (4) over (2)
Agriculture and Community Development	357	15.1	568	11.8	59.1
Irrigation and Power	661	28.1	913	19.0	38.1
Industry and Mining	179	7.6	890	18.5	397.2
Transport and Communications	557	23.6	1385	28.9	148.7
Social Services	533	22.6	945	19.7	77.3
Miscellaneous	69	3.0	99	2.1	43.5
Total	2,356	100.0	4,800	100.0	—

Of the total outlay of Rs. 4,800 crores, Rs. 2,559 crores represent expenditure to be incurred by the Centre and Rs. 2,241 crores by the State Governments.

8. **Main Targets of Production and Development** :—The following table indicates the main targets of Production and Development by the end of the Second Five-Year Plan period, as compared with the First Plan in respect of some important items, as mentioned in the table :—

Sector and Item 1 2	1950-51 3	1955-56 4	1960-61 5	Percentage increase in 1960-61 over 1955-56 6
Agriculture :				
Foodgrains (Lakh tons)	540 (a)	650	750	15
Cotton (Lakh bales)	29	42	55	31
Sugarcane (raw Gur) (Lakh tons)	56	58	71	22
Oil Seeds (Lakh tons)	51	55	70	27
Jute (Lakh Bales)	33	40	50	25
Tea (Lakh pounds)	6130	6440	7000	9
National Extension Blocks (Numbers)	Nil	622	1120	80
Community Development Blocks (Numbers)	Nil	622	1120	80
Irrigation and Power :				
Area Irrigated (Lakh acres)	510	670	880	31
Electricity (installed eapacity) (Lakh kw.)	23	34	69	103
Large-scale Industries :				
Sugar (Lakh tons)	11	17	23	35
Transport and Communications :				
(a) Railways :				
Passenger train miles (Lakhs)	950	1080	1240	15
Frieght carried (Lakh tons)	910	1200	1620	35
(b) Roads :				
National Highways (Thousand)	12.3	12.9	13.8	7
Surfaced Roads (Thousand miles)	97.0	107.0	125.0	17
(c) Post Offices : (Thousand)	36	55	75	36

(a) Relates to the year 1949-50.

9. **Observations of the Planning Commission regarding Distribution of Plan Outlay** :—According to the Report of the

Planning Commission on the Second Five Year Plan, the allocations of the Plan outlay under major heads of development indicate the relative shift in priorities as between the First Plan and the Second Plan. Industries and Mining claim about 19 per cent. of the total outlay in the public sector in the Second Plan as compared to 8% in the First Plan. In absolute terms, the set-up in the outlay on industries and mining is very large—nearly 400 per cent. The actual outlay under this head in the first plan was less than 50 per cent. of the allocation. Judged in this light, the increase in the provision for industries and mining in the second plan is even larger than a comparison of the initial allocations would suggest. It will be observed that of the total outlay of Rs. 890 crores on industries and mining, Rs. 690 crores is for large scale industries including mining, while Rs. 200 crores is for promotion of village and small scale industries.

Transport and communications account for 29 per cent. of the total outlay in the plan period. While the development programme of the railways absorbs 19 per cent. of the total outlay as compared to about 11 per cent. in the first plan, the allocations for other transport and communications form in the aggregate a somewhat smaller proportion of the total than in the first plan. In absolute terms, of course, the outlay on these latter is being stepped up significantly.

Some 19 per cent. of the total outlay of the Central and State Governments is to be devoted to irrigation and power and another 12 per cent. to agriculture and community development. The aggregate expenditure under these two heads works out at Rs. 1481 crores. Although there is a relative shift in priorities as between agriculture and industry, increased production of food and raw materials must remain, not only for the second plan period but for several years to come, a major desideratum. Of the total provision of Rs. 486 crores for irrigation and flood control Rs. 209 crores is on schemes which continue from the last plan, the balance of Rs. 277 crores being in respect of new schemes. The development of power is vital both for agriculture and industry. The provision of

427 crores in the plan for power development includes roughly Rs. 160 crores on schemes continuing from the first plan and Rs. 267 crores on new schemes. The programmes for irrigation and power have been conceived as part of a wider programme of increasing the area under irrigation from Government works two-fold and of increasing the supply of power sixfold over a period of about 15 years.

Social services take up 20 per cent. of the total outlay in the second plan as compared to 23 per cent. in the first plan. In terms of percentages to total outlay under social services and related items, the allocations of education, health and housing are practically the same as in the first plan; in absolute terms they are significantly larger. Thus the provision of Rs. 307 crores for education in the second plan is a little less than twice as large as that made in the first plan. The same is true of health.

Of the total development outlay of Rs. 4800 crores, Rs. 2559 crores represents expenditure to be incurred by the Centre and Rs. 2441 crores is the total of Plan expenditure by all the Governments taken togther, as already mentioned.

IV. Co-operatives under the First Five Year Plan :—The brief details of the first five year Plan have been given mainly with the object of acquainting the reader with the broad picture of the Plan as a whole. It is called a Plan for the economic development of India because the object is to increase our productive capacity all round; our ability to consume must ultimately depend upon our ability to produce; our ability to produce is determined by our effort, efficiency and the capital equipment at our disposal. The Plan, therefore, contemplates increasing all these and visualises the achievement of national prosperity and a reconstruction of the social and economic order on an equitable basis. In this great task of rebuilding our country, co-operation is accepted as an integral part of the State policy. The Plan accepts co-operation as an instrument which, while retaining some of the advantages of decentralisation and local initiative, will yet serve willingly and readily the overall purpose and the directives of the Plan. Co-operation is also

regarded as an indispensable instrument of planned economic action in a democracy. In the concluding paragraph of Chapter X of the Report, the Planning Commission observes : "It has already been indicated that the various forms of co-operative activity impinge on a number of departments; unless, thefore, every department and every ministry accepts and adopts the policy of fostering co-operative methods of business, rapid and enduring results cannot be obtained, for instance, the Central and State Public works and Irrigation Departments spend fairly large amounts on works programme every year; except in one or two States most of the works are entrusted to contractors. We consider that every department should follow the policy of building up co-operatives which may eventually replace the contractors or other middlemen." These facts indicate what significant role co-operatives are expected to play in the development of the national economy, particularly in view of the fact that the change in the economy of the country is contemplated from an individualistic to a co-operative basis. While it is a matter of satisfaction to co-operators that the importance of co-operation is recognised, the onus of execution of the Plan is thrown entirely on the army of workers, both official and non-official, in the co-operative field in the important sectors of the economy. It is certainly a heavy responsibility and co-operators are called upon to do their utmost to meet the challenge thus thrown by the Planners.

1. **Co-operative Farming Societies** :—The most important aspect of the Plan, as already mentioned, is with regard to its programme of development of agriculture. It may be noted that the Plan has laid great emphasis on production. Self sufficiency in food and maximum production of industrial raw materials has been given the highest priority: Farming and allied matters have also received the greatest attention. The objects of the Plan are sought to be fulfilled through development programmes relating to irrigation works, extension of cultivation, reclamation of waste lands and intensive farming. It is in these spheres that co-operation offers the best basis for the implementation of the Plan. The Commission in this context observes: "Small and uneconomic holdings are at the root

of many of the difficulties in the way of agricultural development; with the growing pressure on land the number of population is increasing. The problem in India is to secure a large increase in production over the entire area now under cultivation. This calls for the application on a wide scale of scientific knowledge and increased capital investment in various forms. These conditions are easier to secure where land is worked and managed in fairly large units. In a farm of substantial size it is possible to eliminate several wasteful operations and to ensure better planning of the use of land, including selection of crop rotation, soil conservation, development of irrigation and introduction of improved technique" To remove the evils of uneconomic and fragmented holdings, the Commission has suggested that a good number of co-operative farming societies be established by small and middle farmers, so that they can have all the advantages that a larger unit possesses. and that preference should be given in the matter of supplies, financial and technical assistance, marketing and also in the matter of leasing agricultural waste lands belonging to Government or taken over from private owners. What type of co-operative farming societies the Commission favours is not indicated, but in the matter of compulsion by law regarding the formation of co-operative farming societies it has gone one step further than the provision made in the Bombay Co-operative Law. The Commission has suggested that in any area where a majority of holders (not 66 per cent. as in Bombay) representing at least half of the total area (as against 75 per cent. in Bombay) under cultivation desire to establish a co-operative farm, legislative means should be at their disposal to proceed with the establishment of a co-operative farming society for the whole village, and that Government should do everything in its power to encourage the formation of such farms and to promote their satisfactory working. Be it said to the credit of the Government of Bombay that it has done much to encourage co-operative farming in the State, a detailed treatment of which would be found elsewhere in Vol. III. Owing to financial assistance being afforded to co-operative farms on a large scale, as many as 357 co-operative farming societies have come into existence in the Bombay State covering in all 67,205 acres of

land until the end of June 1957. These societies are expected to produce 96,000 maunds of foodgrains in addition to other money crops like tobacco, cotton, sugarcane, chillies etc. Co-operative farming, to be successful, requires a number of individual and corporate virtues on the part of agriculturists running the co-operative farms and dependent on the extent to which these virtues are practised, the societies would be a success.

2. **Irrigation Societies** :—The organisation of irrigation societies should have deserved a more prominent place in the Five-Year Plan because a reorganisation of agriculture can be brought about only by proper utilisation of water resources available in the country. It is admitted, no doubt, that the successful implementation of the Five-Year Plan would greatly depend upon the execution of irrigation projects contemplated in the Plan, but the Commission observes that most promising development would be for villages to form labour co-operatives and undertake the construction of new and other irrigation works in the neighbourhood and that is the only way in which according to the Commission, labour co-operatives can assist irrigation projects. In this connection it may be noted that this recommendation is halting and does not recognise the important place co-operatives occupy in irrigation schemes. In the first place, it is possible for State Governments to give contracts to co-operative labour societies for the execution of small specific works forming part of larger or medium size of the schemes undertaken by the States themselves departmentally. For distributing water also the co-operation of agriculturists can be availed of through their societies, from specific tributaries, and the management of small irrigation works can also be entrusted to them, as such management would be cheaper ultimately than administration by a State Department, resulting in a lower cost to the consumer of water. As in the case of farming societies, co-operative irrigation societies also are a new development in the Bombay State brought about as a consequence of liberal State assistance made available in the shape of administrative, technical and financial measures of Government. As on 30th June 1957 the number of co-ope-

rative irrigation societies including dam construction societies established in the State stood at 236 and they are expected to bring over 70,734 acres of land under irrigation. The example of Bombay points the way how there is good scope for co-operative activity in this direction and how co-operatives can undertake schemes which are essentially of a minor nature and could be worked with smaller outlay and greater speed than larger projects.

3. **Co-operative Settlements of Landless Workers** :—The Commission observes that for the reorganisation of rural economy on co-operative lines, one of the major objects in view is to carry out changes which would rapidly place the agricultural workers in a position of equality in status and opportunity with other sectors of the village community. For landless agricultural workers it is recommended that blocks of newly reclaimed land as well as culturable waste land should be set apart, wherever possible,, for the settlement on a co-operative basis of groups of these workers. Since agricultural workers have no security to offer, the Commission suggests that State Governments should formulate schemes for granting financial assistance to co-operative groups of landless workers for such purposes as purchase of bullocks, implements and for promotion of ancillary industries which they might wish to take up after their suitable training under the auspices of Government.

4. **Finance for Agriculture** :—Prompt, adequate and quick finance is essential for stepping up agricultural production and its importance is, therefore, rightly emphasised by the Planning Commission, which considers that a comprehensive approach to the problem is necessary, and recommends that all the existing suppliers of credit to agriculture, viz., moneylenders, commercial banks, co-operative societies and the State, have to be harnessed to a common purpose. The recent Debt legislation, the system of licensing moneylenders and the imposition of restrictions on the transfer of land as security have led to a considerable reduction in the operations of moneylenders, and the Planners, have therefore, recommended that it is necessary to build up and expand the system ot Government or co-opera-

tive credit, so that the implementation of the Plan may proceed according to schedule. Besides supplying credit, the Planning Commission recommends that co-operative societies should also finance "the large number of potentially credit-worthy borrowers in the rural areas who are just on the margin." If facilities were granted to them, either in regard to the terms of payment or the rates of interest, the Commission adds, it would go a great way to improve their productive capacity. Since the credit business of this type involves risk, the Commission recommends that State Governments would have to come forward to share a major part of the risk.

5. **Target for Short-Term Finance** :—The target recommended by the All India Co-operative Planning Committee that 50 per cent. of the villages and 30 per cent. of the rural population should be covered by the co-operative movement within a period of ten years is endorsed by the Planning Commission. It further adds that of the three essential characteristics of co-operative finance, viz., cheapness, elasticity and promptness, the two latter have been neglected and the rigidity associated with the dispensation of co-operative credit detracts from the utility of the loan. Agreeing with the Grow More Food Enquiry Committee, the Planning Commission recommends that in the next four years the advances to the cultivators through the institutional agencies should be steadily increased so as to reach the limit of at least 100 crores per annum by the fourth year. This provision is meant for short-term finance. The Commssion further suggests that a detailed plan of agricultural finance and co-operative development should be formulated and worked out by every State in consultation with the leaders of the co-operative movement, the Reserve Bank and the Central Government. After observing that the progress and achievement of the co-operative movement in co-operatively advanced States like Bombay and Madras prove that the co-operative agency is most effective for providing finance for agricultural purposes, the Planners recommend that State loans for development purposes should be distributed through co-operative societies.

6. **Target for Medium-Term Finance** :—The Planning Commission states that co-operatives will not function as effective agencies for credit unless they are in a position to grant medium-term loans which enable the farmer to raise the standard of his tillage and to bring about an improvement in yields. In addition to the amount of Rs. 5 crores, which the Reserve Bank has agreed to make available for such advances, the Commission recommends additional provision of Rs. 5 crores spread over the next three years to supplement the resources of co-operative credit agencies and it fixes a target of Rs. 25 crores as the amount that should be available per annum at the end of the present Plan for medium-term loans derived from Government or co-operatives.

7. **Target for Long-Term Finance** :—In regard to long-term finance, the Commission observes that a major part of the advances hitherto made by the Land Mortgage Banks has been for payment of old debts and points out that the funds obtained either from the State or the community should be utilised for purposes which would step up agricultural production and thus create a surplus of savings out of which the old debts may be discharged. One important statement which the Report contains is to the effect that in view of the fact that the borrower and the security are the same for various types of loans, a separate agency for long-term credit is hardly preferable to a single agency for dispensing different types of credit. Thus the commission supports the idea of a single agency for handling short-term, intermediate-term and long-term finance. This is of course a controversial issue and the earlier experience of combining all forms of credit in a single agency in the State of Madras and to some extent in Bombay militates against the suggestion made and confirms the stability of the practice now followed of setting up different agencies for dispensing different types of credit, and if any State wants to experiment on the lines indicated by the Commission, it is welcome to do so. The Planning Commission recognises that assistance to individuals or a group for schemes of land improvement of a permanent nature would continue to be an important item of production programme. Thus a provision

of Rs. 5 crores spread over the next three years is made to supplement the resources of the co-operative movement and to ensure that Land Mortgage Banks do not languish for want of funds. The Plan has fixed a target for aggregate long-term finance, both for Government and co-operative, at Rs. 5 crores per annum at the end of the present Plan.

8. **Credit and Multi-Purpose Societies** :—In order to bring about an all-round development of rural economy through the co-operative agency, emphasis has now shifted from credit to multi-purpose society. The process of transformation of a credit society to a multi-purpose society is proceeding apace in several States, as will be shown later in Vol. III, and pending this transformation, the credit societies would continue to play a vital role in rural economy. The Planners point out that large sums would have to be disbursed in rural areas in the course of the implementation of the Plan, and it is of the utmost importance to see that rural savings and monies generally in the hands of the rural population are kept flowing into co-operative credit organisations. This aspect of the work expected of the village credit and multi-purpose societies deserves the most careful attention of co-operative workers, particularly in the Bombay and Madras States, which pride themselves on being the most co-operatively advanced States.

9. **Financial Assistance to Apex Co-operative Banks** :— The Commission suggests that co-operative societies should take up the lead for tapping local resources by inculcating the habit of thrift in the local people. It, however, agrees that response to the savings drive would be slow in the initial stages, and it would not, in consequence, be possible for co-operative to find adequate funds for all the legitimate needs of their members. The Commission, therefore, recommends that the Reserve Bank should continue giving accommodation to State or Apex Co-operative Banks for seasonal agricultural operations and marketing of crops at a concessional rate of 1½%. It further recommends that State Governments should have representation on their Boards of Management. As a further step to meet the shortage of finance, State Governments

are also recommended to guarantee repayment of the amount advanced by the Reserve Bank to the Apex Bank.

10. Principles govering the Disbursementof the Amounts provided in the Plan :—The following principles have been laid down by the Commission for the distribution of the amount of Rs. 5 crores provided in the Plan for supplementing the medium-term and long-term resources of the co-operative agricultural credit system :—

(i) Where credit is made available in an area already served by the co-operative organization, the agency of that organisation should be utilised as far as possible.

(ii) The contribution to long-term agricultural finance may inter alia take the form of Government subscription to a part of the debentures issued by the land mortgage banks.

11. Co-operative Village Management :—The Commission observes that it is important to work towards a concept of co-operative village management, so that the village may become a vital, progressive and largely self-governing base of the structure of national planning and the existing social and economic disparities resulting from property, caste and status may be obliterated. The Plan contemplates that the Village Panchayat should become the agency for land management and land reform in the village, and that the conception of co-operative management should be gradually extended to include the entire land of the village as well as activities for creating non-agricultural employment and providing social services. The word 'co-operative' appears to have been used here in the sense of co-operation of the people through the village panchayat as distinguished from co-operative society in its technical sense, or it may mean a co-operative farming society organised for the whole of the village. It may be noted in this context that experience of the working of village panchayats has not been on the whole very happy, and no satisfactory progress in regard to the solution of problems of rural economy can be found unless there is a true spirit of co-operation among villagers or the village is treated as an organic whole and the problems of villages are attacked on all fronts. Even then

practical difficulties are bound to arise, but the prosperity of the village population is likely to increase through a comprehensive approach because of a better use of the available resources, better methods of production and conversion of waste into wealth.

12. **Financial Assistance for Training of the Staff**:—Recommendations of the Commission regarding the provision of agricultural credit referred to in earlier paragraphs visualise considerable expansion of activities of co-operative organisations and it is recognised that absence of adequate trained staff is a stumbling-block in the expansion of the co-operative movement. Emphasising the necessity of proper training for all grades of administrative, managerial and field staff in the co-operative institutions and Co-operative Departments, the Planners recommend the establishment of three more Regional Colleges* in addition to the one now functioning at Poona, and the institution of arrangements for training of subordinate personnel. A high priority has been accorded to the training programme and a sum of Rs. 10 lakhs has been provided in the Plan with a view to financing a part of the expenditure on training. A brief mention has been made in the last chapter in regard to the implementation of this recommendation already, by setting up a Central Committee for Co-operative Training by the Reserve Bank and the Central Government.

13. **Agrcultural Marketing**:—In regard to the development of agricultural marketing, the Plan visualises the organition and establishment of marketing co-operatives that would undertake processing activities having facilities in respect of warehousing accommodation, sufficient financial resources and capable, honest and efficient management, and the Commission writes: "Co-operative marketing linked with production finance and Co-operative ownership of processing industries will be a useful instrument in increasing production, cutting cost and introducing a system of crop planning." The Commission further suggests that processing plants established hereafter should be owned and managed by marketing co-

* This suggestion has already been incorporated.

operatives and licences and other forms of support should be given to them by the State Government. This recommendation contained in the Report is a far-reaching one and throws a heavy responsibility on marketing co-operatives, in areas where they are well developed. In the less-coperatively developed tracts it may not be possible for marketing co-operatives to undertake the work of processing, and while the facility is denied to private agencies the result would be that a vacuum is likely to be created. What is wanted is a careful survey of the position, so as to ensure that the agriculturists do not suffer in any way on account of the new policy of Government. It should be possible in advanced States like Bombay and Madras for some multi-purpose and marketing co-operatives to undertake the work of processing, and preference or monopoly which is vouchsafed can be extended to such marketing co-operatives or multi-purpose societies. In the case of those commodities that are not subjected to elaborate processing, the Planners expect that marketing co-operatives should establish direct dealings with consumer co-operatives. The problem of warehousing is two-fold: One is the construction of ordinary godowns useful for marketing co-operatives and another is licensed warehousing. In States like Bombay and Madras, the State Governments have already sanctioned schemes for subsidies and loans to be given to marketing co-operatives for putting up godowns. As regards licensed warehousing, the Planners consider that progress would in this respect mostly depend on the initiative and ability of the co-operatives to secure long-term capital and recommend that State Governments and the Reserve Bank should assist such development by providing loans at cheap interest and subsidies.

14. **Marketing and Production Finance**:—Linking up of credit with marketing has been attempted in the Bombay State through the multipurpose co-operatives and co-operative cotton sale societies mainly in South Gujerat. If both forms of finance are combined in one and the same agency, as suggested in the Plan, the problems of production are added on to those of marketing and it is not in every region or tract that this can be successfully attempted. Experience of marketing co-opera-

tives in this respect in Karnatak suggests that production finance should be segregated from activities relating to marketing. If production finance were to be understood in a narrow sense, namely supply of pure seeds only or gunnies in cotton sale societies to the producer-seller, there should be no objection to attempting it in a marketing co-operative. Beyond this, to attempt full-fledged crop finance would not be safe, as a marketing co-operative is not properly qualified to dispense it from at a distance, thus violating one of the conditions of a sound system of co-operative credit, viz., absolute proximity of lender and borrower. But marketing co-operatives handling commercial crops like Cotton, groundnut, Sugar-cane, requiring a large amount of individual finance, may combine, marketing and production finance.

15. **Regulated Markets** :—One of the important recommendations made by the Commission on the subject of agricultural marketing is with regard to the linking up of marketing co-operatives and regulated markets. The Planners suggest that the management of regulated markets should be more and more brought under co-operative direction, as has been attempted in the case of Cotton Market at Amraoti, and where this is not possible, it is suggested that adequate representation on the managing committee of regulated markets should be given to them. The latter suggestion is unexceptionable and is of a far-reaching nature and deserves to be implemented no doubt, but a note of caution requires to be registered in this respect. A regulated market is required to have representation on its managing body of all the interests affected with a weightage in favour of agriculturist-producer, but if it is wholly monopolised by a co-operative, it may not be able to inspire that confidence which it would otherwise do because it is likely that the interests of the producer-sellers only would predominate to the neglect of other interests involved. The Plan further recommends that by 1955-56 all important markets in each State should be brought under regulated trading.

16. **Industrial Co-operatives and Village Industries, Handi-**

crafts and Small Industries :—In view of the important place the village industries occupy in rural development programme, the Planners consider that development of village industries should be as much a matter of State action as the increase in agricultural production. Handicrafts and small industries have been divided into two main categories or groups viz., those which represent traditional skills and crafts and those which are more recent, having an intimate connection with large-scale industries. Small-scale and village industries have an importance of their own, inasmuch as they provide employment for trained and educated persons and to women working in their own homes.

17. **Development Boards** :—Three Development Boards have been set up by the Central Government :—

(a) **Khadi and Village Industries Development Board** :— This Board has been set up for preparing and organising programmes for the production and development of Khadi and village industries. Khadi and ten other village industries have been selected by the Commission and schemes are drawn up for their development. The industries are :—

(1) Village oil industry.
(2) Soap-making with Neem oil.
(3) Paddy-husking.
(4) Palm-gur industry.
(5) Leather industry.
(6) Woollen blankets.
(7) Fine hand-made paper.
(8) Bee-keeping.
(9) Gur and Khandsari.
(10) Cottage match-making industry.

(b) **Handicrafts Board** :—This Board advises the Central Government generally on the problems of the handicrafts industries, particularly in regard to improving and developing production and also advises the Government on the amounts of loans and grants to be made to State Governments and promotes agencies and institutes for financing activities in connection with the improvement and development of handicrafts.

(c) **Handloom Board** :—The objects with which this Board has been constituted are similar to those for which a Handicrafts Board has been set up.

The Commission has divided village, cottage and small-scale industries into three categories, viz., (1) those existing independently of large-scale industries, (2) those existing as units integrated with large-scale industries, and (3) those that exist as units competitive to large-scale industries. Work for industries falling in category (1) would have to be organised through groups primarily to facilitate financing of production and marketing. Industries coming under category (2), are manufacture of cycle parts, cutlery, pottery, electrical goods and agricultural implements. Of industries in category (3), the hand-loom weaving industry furnishes the best example. The plan for the textile industry postulates an increase of handloom production from 810 million yards in 1950-51 to 1700 million yards by 1955-56. The common production programme for each industry is indicated in category No. (3). The principle of reservation of a sphere of work is implied in all the three cases. In order to stimulate demand for production of small industries, the Commission suggests two ways: One is stores purchase and another is replacement of imports. In regard to stores purchase, preference and suitable relaxation as regards specifications have been recommended and the Commission has stated that preference should normally be given only to offers made by cottage and small-scale industries through a co-operative society or through other approved agencies. As regards the replacement of imports, the Commission has recommended the appointment of panels of technicians and businessmen in different trades, so that the necessary examination could be taken in hand and completed as a matter of priority.

18. Industrial Co-operatives:—The Commission has recommended two lines of approach if the artisan is to become less dependent on middlemen and to get technical knowledge and guidance. One of them is the formation of co-operatives and another is the formation of association in each established handi-craft centre with co-operatives and industrial workers as members. It has further pointed out that the aggregate number of members of industrial co-operatives in India is still less than 5 lakhs, and there is a need for organising artisans and crafts-

men into co-operative societies. In order to create an internal stable demand for the products of such societies, the linking up of consumer co-operatives with the producer co-operatives is recommended. The Commission further considers the Central and State Governments can attempt to link up producers in India with large buyers abroad. The Planners observe that industrial co-operatives are still in their infancy and that co-operative financing and marketing agencies have very limited experience with industrial co-operatives, with the result that the future of the industrial co-operatives is not well established. The Commission goes on to add that cottage and small-scale industries could have for themselves well-marked fields which are not encroached upon by the large-scale industries, if that an Industrial Finance Corporation should be established at power, implements, raw materials, technical advice and marketing facilities are also proposed to be given to industrial co-operatives. The Plan provides a sum of Rs. 15 crores in addition to Rs. 12 crores provided by the State Governments for assisting small-scale and cottage industries. The Commission desires that an Industrial Finance Corporation should be established at an early date, so that greater assistance to village industries could be rendered, and it also suggests enquiry by the States concerned and the Reserve Bank of India as to whether and to what extent existing co-operative agencies could continue to offer finance for industrial activities.

The difficulty in regard to financing of industrial co-operatives appears to be getting more acute with the passage of time. The plan does not appear to have done proper justice to this problem. No estimates of the financial needs of artisans and of industrial co-operatives have been prepared nor a target of annual requirements. Too much reliance is sought to be placed on the proposed State Finance Corporation. No mention is also made regarding the Central and State Governments making funds available to artisans or their co-operatives or to central financing agencies undertaking finance of industrial co-operatives, or to extending financial help to industrial co-operative banks, wherever they exist. No indication also is forthcoming regarding possibilities of securing finance from the

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The difficulty in regard to financing of industrial co-operatives appears to be getting more acute with the passage of time. The plan does not appear to have done proper justice to this problem. No estimates of the financial needs of artisans and of industrial co-operatives have been prepared nor a target of annual requirements. Too much reliance is sought to be placed on the proposed State Finance Corporation. No mention is also made regarding the Central and State Governments making funds available to artisans or their co-operatives or to central financing agencies undertaking finance of industrial co-operatives, or to extending financial help to industrial co-operative banks, wherever they exist. No indication also is forthcoming regarding possibilities of securing finance from the

Reserve Bank of India. Up till now, the practice has been in the direction of registering separate industrial co-operatives. The use of multi-purpose societies for the development of village industries has been so far meagre, but the Commission visualises separate societies for one or more crafts and makes a statement that artisans are likely to derive the maximum benefits in respect of finance, raw materials and demand for finished goods, if the village organisation takes upon itself the responsibility of developing village industries. This line of development requires to be implemented.

19. Encouragement to Co-operatives of Village Labourers and Artisans in Urban Areas :—The Planning Commission recommends that with the assistance of the Co-operative staff and the staff of Irrigation, Buildings and Roads, Forest and Agriculture Departments and other Government agencies in the States, an attempt should be made to organise co-operatives of village labourers and the co-operatives encouraged to take up contracts for specific pieces of construction work under the technical guidance of the officers of the respective departments. In urban areas also there are several artisans of small means who remain unorganised. The Planners suggest these should be organised on a co-operative basis, so that full advantage could be taken of modern scientific methods. Their organisation would also help the decentralisation of industries which is generally favoured by the Planning Commission.

20. Co-operative Housing Societies :—The Planning Commission has devoted some attention to the subject of housing, and has recommended the use of co-operative agencies, so as to bring cheap housing within the reach of the lower income groups. The minimum contribution towards shares and other developmental charges which a co-operative housing society demands of a prospective member is hardly within the means of the members of this group. It is, therefore, desirable, according to the Commission, that employers, local bodies and the States should come forward to undertake schemes of housing with an arrangement for the recovery of the rent along with a part of the capital cost involved, and ultimately to

transfer these houses to the tenants themselves. For working classes it is doubtful whether even such an arrangement would succeed. It is also necessary to run for the benefit of workers co-operative canteens and eating houses in a cleaner and healthier surrounding. The conduct of welfare activities among working classes through a State department has its own limitations, and it is in this social field that co-operation offers immense scope for expansion.

21. **Role of Consumers Societies** :—The Commission considers that in urban areas social importance must be attached to consumers co-operatives. In the interest of planned development of distributive trade, it is suggested that consumers co-operatives should be built up over as wide a field of distribution as possible.

22. **Co-operative Method in Community Projects and Agricultural Extension Service** :—For the intensive and all-sided development of the village community, projects have already been launched in the various States. The Commission observes that "it is not easy to conceive how, in the absence of co-operative organisation of their business and of their social activities, this desirable object of community project can be realised." For attaining the objectives underlying the community projects the Commission recommends the creation of an Agricultural Extension Service. The next chapter will be devoted to a detailed treatment of this subject-matter.

In conclusion, it may be stated that the Plan places much reliance on co-operative organisation in the field of rural development, as it aims at ushering in a new social order based on co-operatives principles of self-help and mutual help. In fact, Co-operatives have been accepted as an effective instrument of economic planning in rural areas. It is believed that the co-operative workers and their organisations and the State Governments would pull their proper weight in the successful implementation of the Plan.

V. Co-operation in the Second Five Year Plan :—In the Report on the Second Five Year Plan, a special chapter has

been devoted to the development of Co-operation. Economic development on co-operative lines, the Report goes on to say, offers a vast field for the application of co-operation in its infinitely varying forms. Our socialistic pattern of society implies the creation of a large number of decentralised units, both in agriculture and industry. The small units can obtain the advantages of large-scale organization mainly by coming together. The character of economic development in India with its emphasis on social change, therefore, provides a great deal of scope for the organisation of co-operative activity. The Report further adds : "The fields which mark themselves out as being specially appropriate for the co-operative method of organization are agricultural credit, marketing and processing, all aspects of production in rural areas, consumers' co-operative stores, co-operatives of artisans and labourers, and construction co-operatives. This chapter repeats, however, that where co-operation succeeds, it brings large gains to the community. But the human factors involved in it are complex and in some ways it is much more difficult for the co-operative form of organization to succeed than it is for a completely socialised enterprise or for an individual entrepreneur. From this statement it is obvious that the planners have some doubts about the efficacy of the co-operative method in tackling the problems of economic development. Certainly it takes time for co-operatives to take root, as co-operation has to rely for its spread or growth on education and conviction of the people to come within its fold. But co-operation promises to offer a greater potential than the socialistic sector for the building up of the economic strength of the community on sound lines if democratic methods were utilised fully for development. If it builds its strength from within, it is capable of playing a more dynamic role than hitherto, provided that the State creates conditions for it to play that role and plays its own role effectively as a partner in that common venture. The planners themselves emphasise that effective steps should be taken to enable co-operation to succeed in spheres assigned to it in the Plan of National Development. Thus the Second Five Year Plan provides opportunities to co-operatives to prove their worth no doubt, but it also puts them on trial. In play-

ing the role assigned to it, the co-operative movement must avoid the pitfalls and profit by the mistakes committed in the past. In the first place, the steps of production, processing, distribution and credit must be properly synchronised. In other words, for the effective functioning of a system of integrated credit, all the related economic activities must be simultaneously developed. Secondly, co-operatives must be run on sound business lines. Thirdly, the objectives of co-operation and the State being identical, that is to say, the attainment of social and economic welfare of the people, it is the State that has to create a favourable climate under which Co-operation can successfully counter the opposition of the strong. The members, the executives and panchayatdars must be properly educated in the aims and objects of co-operatives and training of such personnel is as important as the machinery for supervising their operation in the efforts to build a strong federal structure. With mutual good will understanding and support, the State-partnered Co-operation offers a new hope to the downtrodden rural folk who are suffering from a lack of productive strength and organisation. But it must be remembered that we may unconsciously invite disaster in our anxiety to achieve too much within the shortest possible time without properly preparing the ground. The lessons of the economic depression of the 1930's and the indifferent character of the working of the movment in some of the States during the past decade should serve as a timely warning to those who want to resort to political expedients in their anxiety to unduly quicken the pace of the co-operative development in the country.

2. **State Partnership** :—The most important departure from earlier programme which the Rural Credit Survey Committee Report has envisaged is that the State should enter into partnership with co-operative institutions specially at the apex and central bank level and in a more flexible manner at the primary level. This recommendation of the Survey Committee has been accepted by the Planning Commission. It may be noted, however, that State partnership does not imply the loss of initiative and sense of responsibility of the workers in the

co-operative institutions. The representatives of the State on the Boards of Co-operatives Societies do not form a majority in any case. They are there simply to ensure that the economic policies of the State are carried out by the co-operative movement without interfering in the internal management of the institutions and their day-to-day working. It should be remembered that the Registrar of Co-operative Societies has ample powers under the co-operative law to take disciplinary measures, whenever necessary, and to deal with mismanagement and recalcitrancy, but this function of the Registrar should not be mixed up with the role of partnership where non-interference in the internal affairs should be the guiding principle. It may be necessary in this context to emphasise one or two aspects of State partnership. The State partnership, it may be noted, means partnership in the real sense, that is to say, it will share the profits and losses of co-operative enterprises alike. But there is is a tendency on the part of some of the State Governments to make capital available to co-operative institutions in the shape of loans instead of share capital. There is of course no objection to loans being made available to co-operatives, as such loans are necessary to co-operatives, at many stages. But what is important to remember is that the capital structure of the co-operative movement should be strengthened by contributing to the share capital, so that the borrowing capacity of co-operative institutions from central financing agencies or from the State Bank of India or from the Reserve Bank of India may thereby be enlarged, with the result that special attempts to finance them will be obviated except where cottage industries like handloom weaving are concerned and which require to be subsidised. Another aspect of State partnership that needs to be stressed is that ultimately the co-operative institutions should be able to stand on their own legs in keeping with the goal they have in view, viz., self-help and self-reliance. In fact, as the co-operative institutions begin to grow, they should be in a position to retire the share capital received from the State and it should be their avowed policy to do so. One of the recommendations of the Rural Credit Survey Committee's Report is that the dividend in excess of a prescribed level, say, 3 per

cent. paid on the shares held by Government should in part be credited to an Agricultural Credit Stabilization Fund, the other part being earmarked for the purpose of the Agricultural Relief and Guarantee Fund. In short, the amount of dividend received in excess of 3% by the State Government should be returned to the co-operative movement for its wider purposes. There is no reason why the State Government should not forego the whole of the return on its share capital and allow it to be kept with the Apex Bank for the purposes of these funds. Under the State Bank of India Act, there is a already a precedent for it. The State Bank is required under the Act to maintain an Integration and Development Fund, which consists of dividend payable to the Reserve Bank on such shares of the State Bank held by it as do not exceed 55% of the total issued capital and such contribution as the Reserve Bank or the Central Government may make from time to time. This Fund can be utilised for meeting the losses in excess of agreed amounts which may be attributable to the establishment of uneconomic branches of the State Bank of India, and such other losses or expenditure as may be approved by the Central Government in consultation with the Reserve Bank of India.

3. **Targets for Co-operative Development** :—In the Second Five-Year Plan certain targets have been fixed to be reached by 1960-61. The principal targets for co-operative credit, marketing and processing and warehousing and storage are indicated below :—

I. Credit :

(a) No. of large-sized societies	10,400
(b) Targets for short-term credit	150 crores
(c) Target for medium-term credit	50 ,,
(d) Target for long-term credit	25 ,,

II. Marketing and Processing :

(a) No. of primary marketing societies organized ..	1908
(b) Co-operative Sugar Factories	60

(c) Co-operative cotton gins	100
(d) Other Co-operative Processing Societies	118
III. Warehousing and Storage :	
(a) Warehouses of Central and State Corporations	350
(b) Godowns of marketing societies	1500
(c) Godowns of Large-sized societies	4000

4. **Conception of a Large-sized Society** :—The general pattern of organization for a large-sized co-operative society is that it would have a membership of 500, the liability of each member being limited to five times the face value of the capital subscribed by him. The society would have a minimum share capital of about Rs. 15,000 and would serve an appropriate number of villages grouped together for the purpose and together providing, wherever possible, a total annual business of about 1½ lakhs. By 1960-61, the Planners have proposed that 10,400 large-sized credit societies, each with a trained manager, should be established. While the principle of State partnership and financial assistance for the managerial staff provided under the Second Five-Year Plan will be extended only to large-sized societies which may be newly formed or brought into being as a result of reorganization, the formation of smaller societies at village level with fair prospects of functioning as effective units may be permitted, consistently with the main programme. Small societies should, however, continue to receive financial and other assistance as at present and should be strengthened. This means that apart from the organisation of 10,400 large-sized societies, the smaller societies, both existing and new ones to be established, will have an important role to play. It is also worth making a mention that the programme of development of co-operation in rural areas should be viewed from threefold aspect. Firstly, credit, in the opinion of the Planning Committee, is only the beginning of co-operation. The provision of adequate credit on reasonable terms is undoubtedly a most important part of co-operation but the movement has wider and more far-reaching aims.

From credit co-operation has to extend to a number of other activities in the villages including co-operative farming. The second aspect of development is that every family in a village should be a member of at least one co-operative society and the third aspect is that the co-operative movement should aim at making every family in the village creditworthy, as at present 30 to 40 per cent. of families are able to satisfy this test even in co-operatively advanced areas. While referring to the obligations of the co-operative movement towards the village community as a whole, the Planners observe :—"In a country whose economic structure has its roots in the villages, co-operation is something more than a series of activities organized on co-operative lines. Basically its purpose is to evolve a system of co-operative community organization which touches all aspects of life. Within the village community there are sections of population who need special assistance. Co-operation should, therefore, mean an obligation towards all families in the village community, and the development of other resources and social services in the common interest of the village as a whole. This is the underlying approach in setting co-operative village management as the main direction of reorganisation in the rural economy." For the development of co-operative credit and other allied economic activities such as marketing, processing and warehousing, the Plan provides for 47 crores of rupees. Unless these estimates are required to be pruned, because of lack of aid from outside sources, the State will spend the estimated amount on the activities envisaged. It is also estimated that by 1960-61, marketing co-operatives will be able to handle about 10 per cent. of the marketable surplus.

5. **Land Reform and Co-operative Credit** :—The Planners point out that there is a close connection between the success of land reform and the success of co-operation, which is not always appreciated. In the first place, if co-operation is to succeed fully, it is necessary that the reorganisation of agrarian structure should be carried out speedily, so as to eliminate features which reduce the productive capacity of the community and permit exploitation. Secondly, as a result of land

reform, the number of small cultivators would increase, while those with large holdings would disappear, with the result the that the new owners would stand in need of a great deal of credit. Thirdly, with the national extension work being extended, more and more people would be ready and willing to participate in development programme on an increasing scale, and as such, their requirements for credit and finance would increase. Fourthly, co-operative institutions are the medium through which most of the activities of rural life are to be organised and financed. In view of the role that co-operatives play, the Planners observe that in devising the land reform programme care should be taken to ensure that while its objectives are secured, co-operative institutions are not placed under handicaps which might affect their financial soundness. For example, it is suggested that as regards past debts, given on the security of land, payments due to co-operative financing institutions should be allowed a prior claim against compensation to which individual owners of land may be entitled. The liability for repaying loans should pass to individuals to whom rights in land are transferred. The Planners further observe that after allowing for the claims of co-operative financing institutions, from these two sources, there may still be a possibility of co-operative institutions being put to loss, i.e., on account of decline in land values. In such an event it is suggested that State Governments should render the assistance needed for maintaining the financial solvency of co-operative institutions. These arise, specially in the case of land mortgage banks, part of whose advances to individuals was made for old debts. This recommendation is quite opportune inasmuch as full implications of the latest amendments to the Bombay Tenancy and Lands Act, 1948, have begun to be felt in the Bombay State from 1st April 1957. As a result of these amendments, all co-operative credit institutions have found the value of their security considerably reduced in so far as it consisted of land because of the specific limitations imposed on its valuation and put down specifically in the Act. The State Government should, therefore, stand by the Bombay State Land Mortgage Bank, the Bombay State Co-operative Bank as well as the co-operative financing agencies and land

mortgage banks in the districts and reimburse the losses incurred by these institutions, on account of reduced land valuation. The Report goes further and suggests that in future co-operative institutions, save for exceptional reasons, connected with the programme of agricultural production, will advance loans only with reference to areas held under personal cultivation. Secondly, to facilitate the grant of medium-term and long-term loans to tenants who are brought into direct relationship with the State as a result of land reform, rights of transfer in favour of co-operative financing institutions should be allowed. Further, in respect of land which comes into the possession of co-operative financing institutions in the course of their operations, restrictions relating to ceiling on agricultural holdings or to cultivation through tenants or leases need not be applied. Co-operatives should be free to sell the land to any one at such price as may be obtainable, subject only to the condition that the transferee uses the land for personal cultivation and that as a result of the purchase or transfer, the land held by him does not exceed the ceiling prescribed by law. All State Governments that undertake land reform legislation need take note of these recommendations, if they want to create conditions in which co-operation can succeed.

6. **Co-operative Farming** :—A special section of the chapter on Land Reform and Agrarian Reorganization is devoted to Co-operative Farming. According to Planners, co-operative farming implies the pooling of land and joint management. For such pooling of land the Planners suggest the adoption of any one of the following methods either by itself or in combination with some other forms :—

(1) The ownership of the land may be retained by the individuals but the land may be managed as one unit, the owners being compensated through some form of ownership dividend;

(2) The land may be leased to a co-operative society for a period, the owners being paid agreed rent or rent prescribed by law; or

(3) Ownership may be transferred to the co-operative, but shares representing the value of land may be given to individuals.

The Report goes on further to suggest that the farm as a whole may be managed as a single unit for all purposes or for some selected purposes. Groups of families may form sub-units within the co-operative farm or as is likely, in the first stage of co-operative development, there may be family holdings supplemented by joint work for a specific purpose. The Planners recommend that co-operative farming societies should be established in the following cases :—

(a) When operations for the consolidation of holdings take place, an effort should be made to educate the people in the advantages of co-operative farming, so that to the extent possible those who wish to join together in co-operative farming societies may have their lands consolidated in one block in a small number of compact blocks.

(b) It should be desirable to select as experimental and pilot projects one or two co-operative farms in each district and later in each national extension and community project areas. The activities in these projects should be closely observed and recorded and the aim should be through work in these projects to evolve better methods of management and organization. Later, these farms should become practical training centres for co-operative, agricultural and other extension workers.

(c) Opportunities for developing co-operative farming on a large-scale will increase when, with the imposition of ceilings on agricultural holdings some surplus areas would become available. Settlement on these lands should, as a rule, be made on co-operative lines.

(d) In tribal areas where community ownership is still the rule, special steps should be taken to develop agriculture along co-operative lines.

(e) Holdings, which are below the basic or floor limit, constitute one of the most difficult problems in the reorganization of agriculture. If these holdings are grouped into large

units of operation through co-operative activity, the economies and advantages of large-scale organization become available, larger financial resources for agricultural development provided and the volume of employment can be increased. The general aim should be to bring below basic holdings increasingly to co-operative pools.

The Planners have also recommended that co-operative farming societies formed by voluntary groups should receive special assistance from the resources made available under agricultural production and other programmes. The special assistance can take the form of credit from Government or co-operative agencies, preference in supply of improved seeds fertilisers and materials for local construction, facilities for consolidation, technical assistance, subsidy for managerial expenses for a limited period. The Report goes on further to emphasise the need for wide-spread training so necessary for implementing a programme for the development of co-operative farming. In Co-operative Training Colleges or institutions courses for co-operative farming, both theoretical and practical, should be organised. Extension workers and officers of the Department of Agriculture should also receive short-period training including problems of management, organization and accounts and above all, they should become familiar with human relationship aspect of co-operative development. The Second Conference of State Ministers on Co-operation held in July 1956 recommended that about 500 experiments in co-operative farming should be undertaken in 1956-57 in those national extention areas where conditions are favourable, the objective being to locate at least one co-operative farming society in every national extention block. It may be noted that the approach of the Planners to this problem of co-operative farming appears to be realistic inasmuch as they suggest that efforts should be made to work on the best solutions through systematic study and observation and make them known as widely as possible, so that the peasants may adapt them readily to their conditions. It should be remembered that final judgement has been suspended till fuller information is available and with this end in view the Planning Commission arranged through

the Programme Evaluation Organization for a firsthand study of 23 selected co-operative farming societies in 13 different States. This study is already embodied in a publication made available to the public.

7. **Village and Small Industries** :—The programme for the development of village and small industries to be carried out during the Second Five-Year Plan period is considerably larger than in the First Plan. The objectives as stated by the Karve Committee are briefly mentioned below :—

(1) To avoid as far as possible during the period of the Second Plan further technological unemployment that occurs specially in the traditional village industry.

(2) To provide for as large a measure of increased employment as possible during the Plan period through different village and small industries.

(3) To provide a basis for the structure of an essentially decentralised society and also for progressive economic development at a fairly rapid rate.

The Plan provides for Rs. 200 crores for the development of village and small industries in addition to working capital requirements. The tentative distribution of outlay between different industries as proposed in the Second Plan is as follows:—

Industry.	Rs. (in crores).
(1) Handloom :	
(a) Cotton weaving.	56.0
(b) Silk weaving.	1.5
(c) Wool weaving.	2.0
	59.5
(2) Khadi :	
(a) Wool spinning and weaving.	1.9
(b) Decentralised cotton spinning and Khadi.	14.8
Total	16.7

Industry.	Rs. (in crores).
(3) Village Industries :	
(a) Hand-pounding of rice.	5.0
(b) Vegetable oil (Ghani).	6.7
(c) Leather Footwear and tanning, (village)	5.0
(d) Gur (Khandsari)	7.0
(e) Cottage match.	1.1
(f) Other village industries.	14.0
Total	38.8
(4) Handicrafts.	9.0
(5) Small-scale industries.	55.0
(6) Other Industries :	
(a) Sericulture.	5.0
(b) Coir spinning and weaving.	1.0
Total	6.0
(7) General Schemes.	15.0
Grand Total	200.0 crores.

It is stated by the Planners that there is perhaps greater scope in village industries for producers' co-operatives than, e.g., in small-scale industries and handicrafts, where supply and marketing societies may play a larger role. Broad targets for developing industrial co-operatives may be worked out in the handloom industry. It is also suggested that steps should be taken as early as possible to formulate programmes for developing co-operatives and providing staff to assist other village and small industries. For small industries, especially those run by small entrepreneurs, a common form of organization will be the trade association set up for either purchase of raw materials or for sale of finished products or both. It is possible that members of such associations may, after a certain period of working together, for specific purposes, like to form themselves into co-operatives. Trade associations may thus be an

independent form of organization as well as a step leading on to the establishment of co-operatives. The Plan also underlines the fact that satisfactory arrangements for meeting the requirements of finance have a vital bearing on the development programme for village and small industries. In addition to short-term or working capital needed for purchase and stocking of raw materials and for stocking of finished goods, finance is also required to contribute towards the share capital of co-operatives for the purchase of tools and equipment and for investment in land, buildings, machines and other equipment. Loans for share capital will not be required to the same extent in small-scale industries as in village industries where the co-operative form of organisation is of utmost importance. Working capital and medium and long-term finance will be relatively greater in those industries which use better techniques and equipment and need specially constructed premises. The present arrangements for provision of finance are, in the opinion of the Planners, far from satisfactory. Some part of finance required is supplied by State Governments under the provision of their State-Aid to Industries Act. To a very limited extent, medium and long-term finance is beginning to be provided by State Finance Corporations. Co-operative industries are able to obtain some working capital through banking channels. In the opinion of the Planners, the Reserve Bank of India and the State Bank of India have a large role to play in any integrated scheme of finance for village and small industries. The normal banking and institutional agencies will have to be utilised, the Report adds, far more than at present if the credit needs of the small industries are to be met in any large measure.

8. **Pilot Scheme of Finance** :—A co-ordinated policy based on close collaboration between the Reserve Bank, the State Bank of India, the State Financial Corporation and Central Co-operative Banks is necessary. A beginning in this direction is being made in enlarging and co-ordinating credit facilities available to small-scale industries in selected areas. These schemes are to be worked out under the auspices of the State Bank of India and will be supervised and guided by local Co-

ordination Committees. In the Scheme of Co-ordination which has been drawn up, State Governments, Co-operative Credit Agencies, State Finance Corporations and the State Bank of India will all function together. Each agency will meet specific credit needs and at the same time, overlapping may be avoided. These Pilot Schemes will provide the experience necessary for drawing up similar integrated schemes for each group of village and small industries with reference to its specific requirements. The State Governments will have to provide technical advice and guidance for the development of village and small-scale industries. This work would fall into two categories : (a) In urban areas or at developed centres in co-operation with association of artisans and small entrepreneurs, and (b) in association with rural development programme, so as to reduce under-employment. "Both these tasks require trained extension workers who can draw upon specialists and are at the same time numerous enough to reach individual artisans and co-operatives and give them the assistance they require. At a later stage, some part of the work of the organization of artisans will be taken over by the co-operative association and the role of official agencies may diminish, but a great deal of building up has to take place before the situation comes about.

9. **Co-operative Dairy Societies** :—In the chapter on Animal Husbandry and Fisheries, there is a section devoted to "Dairying and Milk Supply." The Report goes on to say "In recent years the supply of milk in urban areas has become an urgent problem for several reasons. Mushroom dairies set up in urban areas and working under unhygienic conditions are a danger to public health. Much of the milk sold in towns is adulterated and of poor quality." The Planners remark that it is important to devise arrangements which will ensure the supply of adequate quantities of milk in urban areas under conditions in which quality is guaranteed and at prices which are remunerative to the milk producer and fair to the consumer. With these objects in view, it is proposed to organise 36 urban supply schemes, 12 co-operative creameries and 7 milk drying plants. The latter would be located in rural areas and would

produce butter, ghee and skimmed milk powder. The general policy, in the opinion of the Planners, should be that the milk producers' co-operatives should be organised in villages to supply milk to the urban milk schemes, creameries and milk drying plants. The milk producers should be given assistance such as the payment of a remunerative price, the provision of bulls or artificial insemination, technical advice, facilities for improving production and storage of fodder and provision of milking sheds. Milk collected from rural areas is to be distributed in urban areas under the control of appropriate supervisory bodies such as the Milk Board.

10. Fishermen's Co-operatives :—Under the caption "Development of Fisheries" the problem of organising co-operatives among fishermen has been discussed. The Planners observe that the central factor of the situation is that the vast majority of the fishermen are dependent on middlemen for meeting their domestic needs and obtaining their production requisites. Frequently they are in debt and have to pledge their catch in advance. This leads to low productivity and hand-to-mouth existence for most fishermen, besides exposing them to constant exploitation. Difficult as it may be, in the main, it is along co-operative lines that the production of sea-fish and the re-organization needed among the fishing communities has to be undertaken.

11. **Forest Labourers' Societies** :—In the chapter on "Forests and Soil Conservation" a paragraph is devoted to the organization of forest labourers' societies for improving the condition of forest labourers. The Planners observe that the conditions of working and living in or near the forests involves unusual forms of hardship and that amelioration of the working conditions of staff and labour in the forests calls for special consideration. The provision of facilities by way of accommodation drinking water supplies, medical assistance, education of children etc., would, therefore, receive the attention of the Forest Departments. In order to strengthen the economy of comparatively backward tribal forest workers, the Report recommends that forest labour co-operatives may be established

on an increasing scale for working forest produce, so that profits that now go to contractors should accrue to forest labourers. The Report further adds that care should be taken to see that those co-operatives do not fall into the hands of individuals who may exploit the tribal people. Forest Departments should, therefore, give close and sympathetic guidance in the working of co-operatives.

12. **Labour Contract Co-operatives** :—As a part of the programme of ameliorating the economic condition of agricultural labourers, the Plan observes: "A considerable portion of the outlay under the Second Five-Year Plan will be on construction works, both large and small. It has been recommended to a greater extent possible, labour construction co-operatives rather than contractors should be employed. Extension personnel should regard the organization of such co-operatives as a special responsibility. In each development block of a taluka there should be a labour co-operative union to which labour co-operatives in individual villages are affiliated. In the case of medium and large projects the block or taluka union should be assisted in obtaining assignments of work on standard terms and in turn it should mobilise local labour from the villages. From smaller schemes village labour co-operatives could be given contracts directly and help in executing them. The development of labour and construction co-operatives can be of material assistance in increasing work opportunities in rural areas and increasing the incomes of the landless. Given the necessary organization, there is no reason why in a fairly short period strong labour co-operative unions possessing their own tools, equipment and transport cannot be brought into existence. In the initial stages, besides technical guidance and help in the management, loans for acquiring tools and other necessary equipment should be given to taluka or block labour co-operative unions. The Planners point out in this connection that the progress in respect of labour co-operatives has been extremely limited and that a beginning was made for formation of labour co-operatives on the Gangapur, Ghataprabha, Mahi and Kakrapara Projects in Bombay State. Some response from the public also came forth in connection with the raising of

the village sites in Eastern Uttar Pradesh and on the protected works at Dibrugarh in Assam. It has also been mentioned that except in Kosi project, the result of co-operation of this type has been poor. Some medium projects are spread over the country and are larger in number and there is a greater scope for organising these types of co-operatives and it is expected that such participation would be organised from the very commencement of the work. A sum of Rs. 1 crore has been provided for enlisting the deserved public co-operation on various projects in the Second Plan.

13. Housing :—There is a separate chapter on "Housing" in which there is a mention of co-operative housing for low income groups. It is suggested that co-operatives should be constituted and mutual aid schemes organised for improving the housing conditions of Harijans and other backward classes and for setting up rural community workshops. Assistance from the Government, according to the Planners, will, so far as the rural housing programme is concerned, take the form of technical advice, demonstration of model houses and model villages, provision of improved designs and layouts, promotion of experiments relating to the use of local materials, organization of co-operative village programmes based on voluntary labour and in some measure, provision of financial assistance. In the Second Plan, there is no provision for a comprehensive programme for housing of lower income groups. The Planners rest content with the statement : "The experience of co-operative housing societies in various urban areas and amongst individual workers should be examined with a view to determining the directions in which co-operative housing schemes may be pursued with special advantages and the character of the institutional and other facilities required for the development of co-operative housing, explored.

14. **Co-operative Training** :—It is pointed out that programmes under co-operation require trained personnel in large numbers. It is estimated that about 25,000 co-operators are needed at different levels. "It is expected that while in the higher categories shortages are not likely to develop, the prob-

lem of ensuring adequate supply of personnel at intermediate levels would require constant review. Training of members of co-operative societies in principles and methods of co-operation is sought to be imparted, to begin with, on an experimental basis by organising training units. From this it is clear that immensity of the problem has not been realized. The number of co-operative personnel, both at the official and non-official level, to be trained would run into several lakhs. The Central Committee for Co-operative Training as well as the State Governments will have to think of the problem and formulate detailed schemes of training and methods for their implementation.

15. **General Observations**:—From what has been mentioned previously it is obvious that the Second Five-Year Plan has assigned a very important place to the co-operative movement in national development. The co-operative form of organization can no longer be treated as only a species within the private sector. It is an indispensable instrument of planned economic action in a democracy. While the Plan provides opportunities to the co-operatives to prove their worth, it also puts them on trial. The co-operative movement, it may be noted, will have to find an army of workers, both at the official and non-official level, who have robust faith in the potentialities of the movement and are prepared in consequence to shoulder their responsibilities. With the amount of State assistance and State participation in the Second Plan, what is apprehended is the shortage of able, willing and trained workers to carry out successfully the objectives of the Plan.

CHAPTER XVIII

CO-OPERATIVES AND COMMUNITY DEVELOPMENT AND N. E. S. PROJECTS

1. **What are C. D. and N. E. S. Projects?** The National Extension movement, in the words of our Prime Minister, is a revolutionary movement and the Recent Mission organized by the United Nations has referred to it "as the most significant experiment in economic development and social improvement in Asia at the present time." In a message sent to the recent Development Commissioners' Conference, the Prime Minister said: "The Community Projects are the bright, vital and dynamic sparks all over India from which radiate rays of energy, hope and enthusiasm." The most considered definition of the 'community development' as accepted by the United Nations Economic and Social Council is that it is "a process designed to create conditions of economic and social progress for the whole community with its active participation and the fullest possible reliance upon the community's initiative." The plain meaning of the words 'Community Development Project' is a plan or a scheme for the all-round betterment of the lot of a group of persons residing in the same area and having a common heritage and common needs of life. The words 'Community Development' or 'Community Projects' and 'Extension Service' are new no doubt, but the concept underlying them is very old. Basically, the concept refers to integrated or co-ordinated approach to village life and to its many-sided development as distinguished from development relating to its particular aspect. The idea underlying community development was not new either to Governments or social workers or social welfare institutions in this country. Economic history records instances of rural development work being undertaken in the past, at Gurgaon, Martandam, Shriniketan, Gandhigram, and in the form of the Firka Development Schemes, Sarvodaya Schemes, and finally in the form of Etwah Pilot Projects. The development programme envisaged under a community development project includes:

(1) Physical improvement such as roads, housing, irrigation, drainage and fencing practices ;

(2) Functional activities such as health, education and recreation; and (3) Community action involving group discussions, community analysis of local needs, the setting up of committees, the seeking of needed assistance and selection and training of personnel.

The Community Development Projects aim in our country also to secure the fullest development of the material and human resources of the area under Projects. The fulfilment of the objective in view is ensured by the adoption of measures for a rapid increase in food and agricultural production and in cottage and village industrial products, education, improvement in health standards and introduction of new skills and occupations, with the result that the programme as a whole could lift the rural community to a higher level of economic organization and improve the standard of living. The people of India are on the threshold of a new era of peaceful revolution and are keen, therefore, on building up a new life for themselves. They are seeking to create a new pattern of society and are pledged to build a Welfare State. The National Extension Service is the agency and C. D. Projects, the method for bringing about an economic and a social change in India. What is required is a change in the outlook of the people, instilling in them an ambition for a higher standard of life and a will and determination to work for such standards. The basic question that is posed in this context is : What is the role of the Extension Service and the specialised agencies or departments in the rural development effort? The primary function of the extension service, it may be noted, is educational—taking knowledge of improved practices and better ways of living to the rural people. But pure extension has little or no meaning, if it is not accompanied by availability of certain other elements which enable the rural people to adopt recommended improvements and make extension effective. The three most important elements among these are :

(1) Supplies, i.e., of improved seed, manure and fertilisers and building materials;

(2) Credit;

(3) Essential services, e.g., a Veterinary dispensary, a hospital, or a maternity centre, a school, etc.

In Countries like U. S. A., because of the existence of these elements in abundance, the Extension Service is enabled to concentrate on their educational role, but in our country, not only are these elements extremely deficient but the initiative for providing these primarily rests with Government. This is how concentration on Extension work alone on the part of the Development staff is rendered more difficult. A necessary condition, therefore for the effectiveness of the extension work in India is the expansion and strengthening of institutions dealing with supplies and credit accompanied by strengthening and expansion of Government agencies which supply research, technical and social services. The effectiveness of a Gram-Sevak as an Extension worker will be the greatest, when there are well-equipped and well-staffed institutions—hospitals, agricultural stations, co-operatives with warehouses for seed, manure and other needed supplies near at hand, so that he can avail of these facilities for assistance to the villagers. This has been of course realised by the Government, and provision has accordingly been made in the Second Five-Year Plan. The institutions mentioned above mainly contribute to the success of the C. D. and N. E. S. programmes. It is further intended that there should be owner-cultivators making the best use of the land, water and other resources and finding supplementary occupations in cottage and small-scale industries, so that there may be diversified rural economy and a richer and a fuller life for the villager. The problem of how to change the outlook of 70 million families living in the rural areas and how to arouse enthusiasm for new ways of life and how to create a will in them to lead a better life is one of the most difficult problems that ever confronted a nation in the history of the world. Another objective that the Government had in view in establishing the N. E. S. was to create a permanent organiza-

tion for rural development which would be organically linked up with the existing administrative set-up. In fact, any organization is ultimately intended to be the machinery through which (the programme for the Welfare State) visualized in the Indian Constitution was to be projected. The significance of the administrative integration lies in the fact that the existing general administrative cadres of Government are being transformed into Welfare cadres. This implies that the Government machinery which was at one time devised to look after the functions of revenue collection and maintenance of law and order, is being changed into a welfare administration and the resources of all the development departments are being utilised for a concentrated attack on the problem of rural development In the past, Government's efforts at bringing about social and economic improvement in rural areas were directed through well-organized Development Departments such as Agriculture, Animal Husbandry, Co-operative, Health, Education etc. These Departments worked independently of one another, following their individual programmes without a sense of common objective and covered only one aspect of the villager's life. Each Department approached the villager through its own hierachy and the weakest link in each of these Departments was usually the last official who had to be in touch with the villager. This official was in most cases inadequately trained and ill-equipped for the discharge of his duties and was, in consequence, 'incapable of providing the requisite guidance to the villager. The villager could hardly, therefore, feel his presence. Besides, the activities of the different departments of Government were not also co-ordinated with those of the Revenue Department which comes into contact with rural life at many points, nor were their activities integrated with those of the Local Bodies that were responsible for welfare services in the rural areas like roads, communications, water supplies. The result was that there were no concerted efforts to study the villager's life as a whole and improve all aspects of his life through team-work of official working under a single agency. That is why they were unable to bring about a change in the outlook of the villager in order to achieve a higher standard of life or to mobilise local

initiative and resources for the betterment of rural conditions. This was recognized as early as 1928 by the Royal Commission on Agriculture in India, which observed :

("If the inertia of centuries is to be overcome, it is essential that all the resources at the disposal of the State should be brought to bear on the problem of rural uplift. What is required is an organized and sustained effort by all those departments whose activities touch the lives and surroundings of the rural population.")

This view is further endorsed by the findings of the Grow-More-Food Enquiry Committee, which stressed that efforts at rural development must be integrated, so that the maximum results might come out of it. The work of rural reconstruction undertaken in the past in a few States had led to certain broad conclusions, according to the Report of the Planning Commission. These conclusions were :—

"(1) When different departments of the Government approach the villager, each from the aspect of its own work, the effect on the mind of the villager is apt to be confusing. The peasant's life is not divided into compartments as the activities of the Government are likely to be. The approach to the villager has, therefore, to be a co-ordinated or integrated one and has to embrace his whole life. Such an approach requires to be made not through a number of departmental officers, but through an agent common at least to the principal departments engaged in rural work. (This common agent is now usually described as the village level worker.)

(2) Programmes which are built on the co-operation of the people have more chances of success than those which are imposed from outside. It is no use trying to force improvements down the throats of villagers. The principal responsibility for improving their condition must rest with the villagers themselves. Unless they feel that (the programme is theirs) and consider that it contributes (to their welfare) no lasting results are possible.

(3) Similarly, the programmes which depend largely on financial assistance from the Government without any element

of self-help on the part of the villagers are short-lived.

(4) Advice and precept are of no avail, unless they are backed up by practical aids such as supply of seeds, fertilisers, finance and technical guidance for solving the farmers' immediate problems.

(5) While the official machinery has to guide and assist, the villagers must feel that it is their own responsibility to strive for the betterment of their lot with such assistance as is made available from the Government.

(6) It is necessary that the programmes are pursued intensively. If lasting results are to be achieved, every agricultural family should have a contribution to make through a village organisation.

(7) The approach to the villager should be in terms of his own experience and problems and elaborate techniques should be avoided.

(8) There has to be a dominant purpose round which the enthusiasm of the people can be roused and sustained and the aim should be to create in the rural population an intense desire for a higher standard of living and a will to live better."

2. **Directions in which change in outlook is desired :—** The broad directions in which a change in the mental outlook of the people is needed and is to be worked for are :—

Firstly, increased employment and increased production have to be brought about by the application of scientific methods in agriculture, including horticulture, animal husbandry, fisheries etc., and the establishment of subsidiary and cottage and small-scale industries.

Secondly, self-help and self-reliance and the largest extension of the principle of co-operation have to be encouraged.

Thirdly, the need for devoting a portion of the unutilized energy and time for the benefits of the community as a whole is emphasised.

3. **The Basic Principles underlying C.D N.E.S. Projects :—** The basic principles underlying the C.D. and N.E.S. Projects are three :—

All aspects of rural and inter-related programmes of improvement have to be tackled, though there may be emphasis on special aspects of rural life. Secondly, the initiative for improvement should come from people themselves, because self-help is at the root of all reform and improvement. The State can help only with supplies, services and credit. The vast unutilised energy lying dormant in the countryside requires to be harnessed for constructive work. Every family should, therefore, devote its time and energy not only for carrying out its own programme of betterment but should also contribute substantially for the benefit of the rural community as a whole. Thirdly, it is important to remember that the co-operative principle can be applied in its infinitely varying forms for solving most of the problems confronting rural life.

4. **Stages in the Growth or Spread of N.E.S. Movement :—** There are, generally speaking, four stages in the growth or spread of the N.E.S. movement :—

(1) The pre-extension or the preparatory stage. During this stage, local development programmes including Local Board's programmes, should be so organized as to prepare the people for the National Extension Service. These programmes should be prepared in consultation with the people, and should be regarded as their programmes to which they make a contribution in the form of labour and or money.

(2) The second stage is reached when the National Extension Service is introduced in an area. The N.E.S. organization will be a permanent structure.

The period of intensive development which is known as the 'Community Development Project or programme for a period of three or four years, follows as the third stage.

(4) After the community project stage, the area reverts back as a National Extension Block.

5. **The Main Features of the C. D. Projects :—**The main features of the community development projects or programmes are briefly mentioned below :—

The first feature of the community development projects is that they cover only a few scattered selected areas for con-

centrated effort, though they have a comprehensive aim. The intention is obviously not to neglect the rest of the community, but to make sure of success by making a small beginning in a concentrated manner in comparatively smaller areas and then make them applicable to the rest of the community. A noticeable feature of the C. D. projects is that they seek the many-sided development of rural life as distinguished from the earlier efforts in which the various aspects of village life were sought to be improved piecemeal and in isolation from each other. Since all facets of rural life are closely interrelated, the only effective method would be to attack all the problems simultaneously and in proper co-ordination with each other. In the method followed by the C. D. Projects there is a co-ordination of various activities involved 'such as social, economic and educational etc. A more important feature of the C. D. Projects is the great emphasis which they place on the initiative for self-improvement and impulse for rural development in general coming from the rural people themselves. The essence of the community projects is, therefore, to assist the people to help themselves. Thus willing and spontaneous co-operation and participation of the people in the execution of the Plan for the betterment of their lot is encouraged. Another equally important feature is that the projects provide for a single multi-purpose agency reaching the very doors of the farmers. Thus they can avoid the basic drawbacks of the earlier method of approach through various independent Government Departments working in isolation by setting up the National Extension Service. Lastly, the most important feature of the Project is that adequate provision for financial and technical aids to ensure their success has been made as distinguished from their inadequacy in earlier efforts.

6. **Organisational Set-up and Activities** :—These projects are broadly divided into two categories, viz., the basic projects or rural community projects and composite projects.

(1) **Basic Projects or Rural Community Projects** :—These are intended to benefit the villagers only, the main emphasis being on increase in agricultural production and related activi-

ties. Each project will approximately cover 300 villages having a total area of about 450 to 500 square miles, a cultivated area of 1,50,000 acres and a population of about 2 lakhs. Each project area is divided into three blocks of 100 villages each, work being taken up in one block and the other block being taken up in turns after the development programme reaches some standard development. The development block is divided into a group of 5 to 10 villages, each group being in charge of a village level worker or a Gram-Sevak.

Since agricultural production is the most urgent objective, community projects have first been established in those areas where, on account of irrigational facilities or assured rainfall, additional effort is apt to yield a more substantial increase in food production. The resettlement of refugees has been the chief aim of the projects in States like Punjab and West Bengal. Seven areas have been selected because of their being inhabited predominantly by scheduled tribes.

Main lines of activity :—The main fields of activity in the community projects would be agricultural and related matters, communications, education, health, supplementary employment, housing, training and social welfare. The agricultural programme includes reclamation of virgin and waste land, provision of water through minor irrigation works, the promotion of improved technique of cultivation and the use of improved seed, fertilisers, manurers, improvements of livestock. There would be an agricultural extension worker for only five villages and his duty would be to promote the growth of healthy co-operative movement. The road programme would be designed to link every village with a main road by building up feeder roads with the voluntary labour of villagers. As regards education, there would be expansion and improvement of primary and secondary education, vocational and technical training would be emphasised, and facilities provided for imparting improved technique to artisans and technicians. The health organisation would consist of three primary health units, one in each development block and the secondary health unit consisting of a hospital and mobile dispensary at the headquarters

of the project area. The chief aim would be the protection of water supply, proper disposal of human and animal waste and control of epidemic diseases. Development of new housing sites in congested areas, open village, playgrounds and supply of building material would also be paid attention. Gainful employment for the unemployed and the under-employed would be provided through the development of cottage and small-scale industries.

Administrative Set-up. (A) At Centre or All-India Level :— The Ministry of Community Development has the overall charge of the programme. Matters of basic policy go before the Central Committee consisting of members of the Planning Commission and the Ministries of Food and Agriculture and Community Development with the Prime Minister as Chairman. Co-ordination with the allied Ministries is maintained through special committees and frequent exchange of views. (Vide Diagram appended at the end).

(B) **At State Level** :—The actual execution of the development programmes continues to be the responsibility of the State Governments. Generally each State has a Single Authority for implementation of both the extension scheme and the community projects. This Body is known as the State Development Committee and it consists of the Chief Minister as the Chairman, the Ministers of Development Departments as members and the Development Commissioner as Member-Secretary. The Development Commissioner who co-ordinates the activities of all the Development Departments of Government has the rank of a senior Secretary to Government, in view of the difficult nature of the work entrusted to him.

(C) **At District Level** :—At the District Level the Collector is the Chairman of the District Planning or the District Development Committee. All the Heads of Development Departments in the district are represented on the Committee which also includes the Chairman and Vice-Chairman of the District Board as well as other non-officials. A District Development Officer assists the Collector in respect of all development activities.

(D) **At the Project Level** :—For each Project covering about 300 villages, there is a Project Officer at the Project head-quarters. He is assisted by one Assistant Project Officer, one Superintendent of Accounts and clerical staff. He is also assisted at the field level by the following technical staff :—

(1)	Agricultural Graduates.	3
(2)	Agricultural Graduates with knowledge of animal husbandry.	3
(3)	Agricultural Graduates with experience in co-operative work and having knowledge of rural psychology.	3
(4)	Agricultural Engineer, Civil and Mechanical, having experience of agricultural engineering.	3
(5)	Adult Education Officers.	7

(E) **At the Block Level** :—Each project is divided into three development blocks, each block having 100 villages in charge of a Block Development Officer. He is also assisted by Technical Experts. The staffing pattern of the two programmes, in accordance with the requirements of the two services, is indicated below :—

(1) Staff for a National Extension Service Block (to assist the Sub-Divisional Officer.

Block Development Officer.	1
Extension Officers (for Agricuture, Animal Husbandry, Co-operation and Panchayats	3
Educational Organisers (one man and one woman).	2
Overseer with public health bias.	1
Village Level Workers or Gram-Sevaks.	10
Accountant-cum-Storekeeper.	1
Typist-Clerk.	1
Messengers.	3

(2) Staff for a Development Block. (Basic type of a Community Project)

Village Level Workers	2

Stockmen (Veterinary)	2
Messengers.	2
Chief Social Education organiser	1 (for 3 blocks)
Medical Officer.	1
Compounder.	1
Lady Health Visitor.	1
Midwives.	4
Sweepers.	2

By the end of June 1955, the following staff was in position in the project areas :—

Village Level Workers.	9829
Social Education Organizers.	1505
Block Development Officers.	899
Subject-matter Specialists :	
(a) Agricultural Extension Officers.	804
(b) Veterinary doctors.	553
(c) Co-operative and Panchayat Inspectors.	668
(d) Overseers (Multi-purpose)	900
(e) Doctors.	438
(f) Sanitary Inspectors.	334
(g) Lady Health Visitors.	115
(h) Midwives.	

When the N.E.S. Blocks cover the whole country by the end of the Second Five-Year Plan period, 40% of them would be converted into C. D. Blocks. Non-official estimate of the staff requirements for the C. D. and N. E. S. Projects or Programmes put the total at 3,10,198 persons, both skilled and unskilled. The personnel would include :

B. D. Officers.	4929
Agricultural Graduates.	4928
Village Level Workers, both men and women.	54328
Veterinary doctors.	4928
Co-operative Inspectors.	4928

School Teachers.	156488
Social Education Organisers.	9856
Doctors.	2524
Midvives.	10096
Engineers.	841
Overseers.	7452
Mechanics.	7572
Clerical staff.	52328

(F) **At Village Level** :- Each development block consists of 100 villages. There is one village worker or Gram-Sevak in charge of a group of five to ten villages. The following excerpts from the Fourth Evaluation Report on the working of Community Projects and N.E.S. Blocks gives an idea of what an important role the Gram-Sevak plays in the development programmes.

"So long as the projects were spending large sums of money on various types of construction works, these works occupied most of the time of the Gram-Sevak. But with the sharp fall in construction activity in the post-intensive phase, this part of the Gram-Sevak's work has been greatly reduced. Reports have come from a number of Evaluation Centres that the Gram-Sevaks do not have much work; and spend a considerable proportion of their time at block headquarters, and that they do not visit villages and, even when they do, confine their contracts to a few people whom they know well. It is also reported that some of them are getting more 'official' in their behaviour and expect the villagers to come to their 'offices' for their requirements. It has been suggested that this may be due to the reduced amounts at their disposal which gives them more discretion in the choice of persons to be assisted. While this may be true in some cases, the more general position appears to be what has been already stated, viz., that the Gram-Sevaks are developing a sense of frustration, do not quite know what to do with their time, now that they do not have much construction work to look to, and in many case feel that they would be ineffective because of the considerably smaller volume

of funds at their disposal for disbursement to the villages. It is therefore, imperative that the question of the role of the Grama-Sevak should be fully thrashed out, and his task more precisely formulated.

From a study of what has been said about the Gram-Sevak by the Planning Commission and the Ministry of Community Development, it appears that his role is conceived essentially as that of a multi-purpose worker. The following appear to be the chief ingredients of his work :—

(1) He is an extension worker in the production field, educating the villagers in better techniques of agriculture and animal husbandry and promoting irrigational and other productive constructional works.

(2) He is an extension worker in other fields as well, such as co-operation, panchayat activity, social institutions, and sanitation. As such, he is supposed to promote human development in his area. In particular, he should encourage local people to assume leadership roles for purposive action, stimulate the community to organise itself for programmes of collective benefit and in general initiate a process of co-operative action for progress in the village community.

(3) He should specially help youth, women, and other sections needing special assistance, to organise themselves for their own benefit and for contribution to the advancement of the community.

(4) He should serve as 'the principal and effective channel of communication between the development authorities of Government and the village. As such, he is the spokesman of many Government departments and the communicant of village needs and problems to these many departments.

(5) He should function as the *sevak* or servant of the village and help individual villagers to plan their production, solve their technical difficulties or get competent technical advice on the same, secure them supplies, and generally be a friendly guide.

In actual fact, the Grama Sevak has not been able to perform these functions; and it is not surprising that he should have been unable to do so in view both of the multiplicity and complexity of the functions involved and of the very inadequate training that he has received for coping with these functions. It must also be remembered that (in a country like India, no extension worker can hope to get the confidence of the rural people unless he attends to what the villagers feel are their most immediate needs and unless he makes himself useful to them in the manner in which they want.) It was really, therefore, a matter of good fortune from the point of view of the eventual success of the C. D. and N. E. S. programmes that the project staff had at their disposal, during the initial stages, ample funds for both construction and irrigational work and the Grama Sevak was able not only to disburse funds satisfying the felt needs of the people but also secure for them the supplies and credit without which they would not have been able to effect any improvement in their material conditions. It is this activity of his—and one that did not really fit in with the strictly orthodox view of the Grama Sevak's role—that broke down the barrier between Government and the people, stimulated public confidence in the beneficient role of Government, induced them to turn to Government for the satisfaction of their felt requirements and secured for the Grama Sevak that place of confidence which could enable him to function as an extension worker and a friendly guide. Any abrupt termination of this part of the Grama Sevak's activities would not be desirable even in the interests of his efficient functioning as an extension worker. Undoubtedly, the Grama Sevak cannot go on indefinitely as the organiser of construction work and of supplies; these are functions which should in due course be taken over by the people themselves, with, of course, appropriate assistance from the Government departments normally concerned

with these activities. Equally obviously, it is the primary function of the Grama Sevak to function as an extension worker and friendly guide and help the rural community to acquire self-confidence, desire for higher standards or norms of living, readiness to go in for changed techniques, initiative and positive action in undertaking effort to satisfy his needs, persistence in effort, mobilisation of resources and co-operative and community action for the satisfaction of collective needs. But this is a long period function. It cannot emerge in a day. So long as this is understood, the current emphasis on the role of the Grama Sevak as an extension worker and the decrying of his other activities is in order. But it must be understood clearly and unambiguously that the villager has a number of needs for which he wants immediate action, that he expects his Government to assist him in the satisfaction of these needs, and that somebody in the village level should do so. So long as village local panchayat and the local co-operative society are not well organized and so long as the normal development departments of Government have not created the physical and technical resources such as staff, warehouses, seed stores, fertiliser depots, research stations and the like easily accessible to the villager and readily available within his resources, somebody has to fill the vacuum. It may be unfortunate that the Grama Sevak has to do so, but it is an inevitable product of the comparatively backward stage the country occupies today in the field of economic development. It is vitally important, therefore, that the transition in the role of the Grama Sevak from the C. D. and P. I. P. pattern should take place by gradual stages and alongside the filling up of the economic and physical gaps in the countryside. It is important that the implications of this proposition should be considered in all its bearings before undertaking a wholesale programme of conversion of C. D. and P. I. P. blocks and sticking to the present pattern of the P. I. P. both in terms of its functions and its budget provisions. It is relevant in this connection also to consider the manner and extent to which the Grama Sevak could be utilised in the planning and implementation of non-project expenditure on rural development and thus obviate the necessity for providing him with a separate budget.

Having said this, it is necessary to proceed further and outline the steps that are essential to bring about the desired objective, viz., extension work and friendly guidance as the principal role of the Grama Sevak. For this purpose, four things appear to be necessary :—

(1) The Grama Sevak should have adequate and competent training in the problems and methods of community and group organisation; and he should be well backed by appropriate orientation on the part of the development staff at the block and higher levels.

(2) If the objective indicated by the Planning Commission, viz., that the Grama Sevak should establish contact with every individual family in his area and help to plan its production programme is to be fulfilled, there appears to be a need for some reduction in the area and population allotted to him for this purpose.

(3) The Grama Sevak should be supported by appropriate research and educational centres at the field level, to which he can bring the problem he faces in his actual contact with villagers and from which he can take back appropriate technical advice.

(4) The Grama Sevak should be appropriately supported in his extension activities by the development departments of Government creating the physical and other facilities necessary for satisfying the needs that will be created in the villagers by the success of his extension work. In the long period, these facilities should operate through village bodies and be based partly at least on the mobilisation of village resources and the Grama Sevak's extension work should be canalised in that direction. But pending that, supplies must be forthcoming when the need for them becomes conscious and insistent."

7. **Finance for the Projects and Allocation of Expenditure** :—The resources for the projects are drawn both from the people and the Government. For each project area the programme indicates a qualifying scale of voluntary contribution from the people in the form of money as well as labour and in kind. When the State offers financial assistance for the execution of these projects, the expenses are shared by the Central and the State Governments in the proportion of 3 : 1 in the case of non-recurring items. The recurring expenses are shared equally between them. For productive works like irrigation, reclamation etc., the requisite funds are advanced by the Central Government to the State Governments in the shape of loans repayable in full with interest. The Central Government would contribute 50% of the recurring expenditure on personnel employed by the State in the National Extension and Community Projects areas during the Second Plan period also. The Centre's contribution would be 50% of the total expenditure subject to an overall limit of Rs. 6 crores per year.

Expenditure on each Block :—In view of the limitations of resources available, the expenditure for a period of three years in a National Extension Block and a C. D. Block for the Second Five-Year Plan period has been placed at Rs. 4 lakhs and Rs. 12 lakhs respectively.

Expenditure on Post-Intensive Blocks :—In regard to the C. D. Blocks which will have completed their scheduled period of operation by September 1957, it has been decided that savings, if any, may be utilised up to the end of March 1958, i.e., to say, even after their reversion to post intensive phase (P.I.P.). This expenditure will also be borne by the Central and the State Governments in accordance with the prescribed pattern. In order to help to keep up the tempo of work in C. D. projects on completion of the scheduled period of operation during the Second Plan period, an expenditure of Rs. 30,000 per annum has been provided for three years in the Post-Intensive Phase under the head 'Local Works and Social Education'. This expenditure will be shared between the Central and the State Governments in the prescribed proportions.

Expenditure under the two Plans :—The total combined expenditure excluding short-term credit on the programmes taken up during the First Plan was Rs. 96.5 crores. The estimated expenditure was, however, 52. 4 crore, leaving a balance to the Second Plan of Rs. 44.1 crores. The Second Plan has an allotment of Rs. 200 crores for the programmes.

External Assistance :—In this stupendous task of transforming the rural areas, our country is receiving assistance from the U.S.A. and the Ford Foundation under the Operational Agreement No. 8 on the Community Development programme and the four supplements thereto, under the Agreement, the U. S. Government has promised to make available to the Indo-American Technical Co-operation Fund a sum of $ 1,27,77,860 for the import of equipment required for the community projects taken up in India from 1952-53 to 1956-57. Indents worth about $ 12.015 million have been placed on the Indian Supply Mission, Washington, out of which equipment worth $ 9.723 million has been received and supplied to the State Governments, up to December 15, 1956. The services of a few experts were also made available to the Government of India and the States to to help them in the implementation of the programme. From the very inception the Ford Foundation has been assisting India in training thousands of project workers. The Ford Foundation also provided assistance in the launching of 15 Pilot Projects for rural development.

8. **National Extention Service Organization** :—Our national leaders have kept before the country as a goal the transformation of social and economic life of the villagers by changing their outlook on life and instilling in them a will to better their own condition through their own efforts with such assistance as is made available by Government. This complete social and economic change in the condition of people has been held forth as a goal to be reached within as short a time as possible. In order to achieve the goal, the community development is a method and the national extension service as the agency are to be employed. In the past before these projects

were launched, there was absolutely no attempt at arousing the people's own enthusiasm and that evoking community effort for the benefit of the community. That is why rural life has remained entirely in a backward condition. The Krishnamachari Committee on Grow More Food Campaign recommended in 1952 the setting up of a national extension service throughout the country, similar to the extension or advisory services set up in U.S.A., U.K. and elsewhere. The object of this service is to reach every farmer and to assist in the all-sided development of rural life. The idea of rural extension service or national extension service is to rectify the defects implicit in earlier efforts at rural reconstruction. To start with, a taluka, or a tehesil usually consisting of 100 to 120 villages is selected for developmental purposes, while concentrated and intensive effort is to be made in groups of 5 to 10 villages or even in a single village, wherever necessary.

9. **Organizational and Administrative Set.up of National** Extention Service :—A taluka or tahesil is constituted into a development block and a development officer is placed in charge of it. He is assisted by six technical officers, one each for agriculture, animal husbandry, co-operation, panchayats, engineering and social education, and ten village level workers. This organization is expected to function as a friend, philosopher and guide to the villager and is expected to work as a team. It constantly consults each other comparing notes and exchanging experiences, always trying to establish closer contact with the agriculturist. The pivot of this organization, as has already been mentioned, is the Grama Sevak or the village level worker, who is placed in charge of a group of five to ten villages. The objectives of the National Extension Organization, as already referred to, are, firstly, to educate the villagers in improved agricultural techniques and bring the results of research in these fields to the doors of the villager, secondly, to secure local co-operation and to stimulate local initiative, thirdly to arouse enthusiasm among the villagers, so as to promote and develop community activities and finally, to see that the vast unutilised energies of the people are harnessed in the execution of works designed for the benefit of the com-

munity as a whole. It is also intended to set up a multi-purpose society in every village or a group of villages on which practically every agriculturist family would be represented.

10. **Evaluation Organization. What is Evaluation Organization and what are its Objectives?** Evaluation, broadly speaking, means an assessment or appraisal of progress made in any undertaking. Evaluation in regard to any rural development programme must provide a periodical check on extension methods and procedures. It assesses the results of the programme by pointing out those methods which are proving effective and those that are not. In order that such evaluation be purposeful, comprehensive and objective, it is entrusted to an agency which is not concerned with the day-to-day problems of planning and execution of the programme. An Evaluation Organization has been set up under the Planning Commission, as a result of the agreement between the Ford Foundation and the Government of India and has the following functions to perform :—

(1) To keep all concerned apprised of the progress made in accomplishing the objectives of the programme.

(2) To point out the extension methods which are proving effective and those that are not.

(3) To help explain why some recommended practices are adopted while others are rejected.

(4) To provide an insight into the impact of the community development programme on the economy and culture of India.

These functions are required to be performed in relation to the main objectives of the development programme.

11. **Progress of C. D. Projects and N. E. S. Blocks** :—As already mentioned earlier, rural development in this country had begun long before the achievement of political independence and had been tried out by workers who were associated with Mahatma Gandhi and Tagore. In Baroda and Madras as well, the rural reconstruction work had been worked out in some form or another. Later, experiments were also made in the Pilot Projects at Etawah, Gorakhpur and Nilokheri. They

had their own limitations, as they were sporadic efforts. But one good result was that out of all these pooled experiences emerged the community development programme as an integral part of the First Five-Year Plan. Fifty-five community development projects were aptly inaugurated on the 2nd of October 1952—the birthday of late Mahatma Gandhi. On the first anniversary of these projects, viz., 2nd October 1953, 55 more development blocks were inaugurated in adition to 251 National Extension Service Blocks selected in all States. The experience of the First Community Development Projects and the popular enthusiasm that was aroused thereby underlined the need for a rapid extension of the programme to the other parts of the country, but the country's resources being inadequate to sustain a comprehensive programme implicit in the C. D. projects, Government decided to l aunch a programme which is somewhat less intensive in character called the National Extension Service. The national extension and community development aspects of the programme are, it may be noted, related phases of a single programme, the normal pattern of development administration being represented by the national extension service. This explains the reason why the cost of a community development block works out at Rs. 15 lakhs for a period of three years, while that of the extension block comes to Rs. 7½ lakhs only. Since the commencement of the community development and national extension programmes in October 1952, 1200 development blocks in all, (each of about 100 villages), have been taken up, 300* under the community project scheme and 900* under the N. E. S. Scheme. The distribution of 1200 blocks taken up during the First Five-Year Plan, the coverage in population and number of villages represented by them are given in the subjoined table :—

It will be seen from the statistics given that the target during the First Five-Year Plan was the coverage of a rural population of 80 million in areas which comprise about 1,20,000 villages, distributed between 300 C. D. programmes or projects and 800 Extension Blocks. These targets have been achieved. The participation of the people in the planning and

	1952-53	1953-54	1954-55	1955-56	Total
Development blocks :					
Community development	247	53	—	—	300
National extension	—	251	253	396	900
Total	247	304	253	396	1,200
Number of villages :					
Community development	25,264	7,693	—	—	32,957
National extension	—	25,100	25,300	39,600	90,000
To tal	25,264	32,793	25,300	39,600	1,22,957
Population (million) :					
Community development	16.4	4.0	—	—	20.4
National extension	—	16.6	16.7	26.1	59.1
Total	16.4	20.6	16.7	26.1	79.8

* After a period 400 N.E.S. Blocks were converted into Community Development Projects.

execution of rural schemes has been a noticeable feature of the N. E. S. movement, and in this the results achieved are reported to be promising. But there are certain features in the practical working of the programmes which the P. E. O. (Project Evaluation Organization) reports has drawn attention to. For example, there is need for the strengthening of the various technical departments at all levels and in all branches. Secondly, in the operation of the programmes there has been an excessive emphasis on physical and financial accomplishments, and not enough emphasis on making the National Extension Service an effective agency for carrying out the total programme of development and reform provided in the National and State Plans.

12. **Programme for the Second Five-Year Plan** :—In September 1955 the National Development Council agreed that during the Second Five-Year Plan the entire country should be served by the National Extension Service and that not less than 40 per cent. of the N. E. S. Blocks should be converted into C. D. Blocks. During the Second Plan, 3800 additional Deve-

lopment Blocks are to be taken up under the National Extension Scheme, and of these 1120 will be converted into Community Development Blocks. The Plan provides a sum of Rs. 200 crores for implementing the Programme. The annual phasing of the Programme is indicated as follows:—

Year	N. E. S. Blocks	Conversion into C. D. Blocks.
1956-57	500	Nil
1957-58	650	200
1958-59	750	260
1959-60	900	300
1960-61	1000	360
	3800	1120

It is visualised that the outlay involved in National Extension Blocks may be Rs. 4,00,000 and in C. D. Blocks Rs. 12,00,000. The distribution of about 200 crores to be expended during the Second Five-Year Plan period for the N. E. S. and C. D. Programmes is tentatively fixed between different heads of development as indicated below:—

		Rs. Crores.
1.	Personnel and equipment-Block heodquarters	52
2.	Agriculture (animal husbandry and agricultural extension, irrigation and reclamation)	55
3.	Communications	18
4.	Rural arts and crafts	5
5.	Education	12
6.	Social education	10
7.	Health and rural sanitation	20
8.	Housing (for project staff and rural housing)	16
9.	Community Development-Miscellaneous (Centre)	12
	Total	200

In carrying out the Programmes fixed for the Second Five-Year Plan it is realized that a sense of participation and a definite programme of work for improving the standard of living have to be carried to every rural family. Besides agricultural production, marked progress is anticipated in the following fields as well :—

1. Development of co-operative activities including co-operative farming.

2. Development of Panchayats as institutions actually responsible for village development.
3. Consolidation of holdings.
4. Development of Village and Small-Scale Industries.
5. Organization of programmes meant to assist the weaker section of the village community such as small farmers, landless tenants, agricultural labourers and artisans.
6. More intensive work among women and among youth.
7. Intensive work in tribal areas.

It may be noted that the problems of increasing production and employment and diversifying rural economic life are more complex and will, therefore, need sustained administrative effort over considerable period of time. As already indicated, transformation of social and economic life of rural areas is essentially a human problem and it is mainly a problem of changing the outlook of the rural communicity. Extension Services and C. D. Projects are the agency and the method by which the requisite social change and economic progress can be achieved, so that the villagers can be partners in the National Plan.

13. **Achievement and Drawbacks of C. D. and N. E. S. Projects** :—The following statistics are indicative of the achievements up to September 30, 1956 in the C.D. and N.E.S. Blocks :—

Agriculture :

Chemical Fertilisers distributed (thousand mds.)	..	14,026
Agricultural demonstrations held (in thousands)	..	2,646
Improved seeds (thousand mds.) distributed	..	6,146
Area brought under fruit and vegetable cultivation (thousand acres) ..	..	773
Key Village Centres started (Number)	..	3,838
Pedigree animals supplied (in thousands)	..	20
Area reclaimed (thousand acres)	..	1,667
Additional area brought under irrigation (thousand acres)	..	2,850

Health and Sanitation :

Primary Health centres set up (Number)	..	981
Maternity and child welfare centres (number)	..	947
Rural latrines constructed (in thousands)	..	147
Wells renovated (in thousands)	..	82
Wells constructed (in thousands)	..	58
Drains constructed (lakh yards)	..	87
Education :		
New Schools started (in thousands)	..	20
Schools converted into basic ones (Number)	..	7,794
Adult education centres started (in thousands)	..	53
Adults trained (in thousand)	..	1,284
People's Organisations :		
Community centres started (in thousands)	..	155
Units of People's organisations developed (in thousands)	..	110
Number of new members enrolled in Co-operative Societies (in thousands)	..	2,330
Roads and Communications :		
Pucca roads constructed (miles).	..	7,135
Kacha roads constructed (thousand miles)	..	42
Arts and Crafts :		
Production-cum-training centres started (number)	..	2,040

These results have been accomplished because of the active participation of the people. Till September 30 1956, the value of the people's contribution to the programmes by way of land, cash and labour amounted to Rs. 33 crores, as against an actual expenditure of Rs. 56.3 crores by the Government. In other words, the people's contribution formed 59% of the Government expenditure working out at Rs. 3,768/- for every 1000 persons. Emphasis is also laid in the N. E. S. and C. D. areas on the strengthening of village organizations like co-operative societies and Panchayats and the building up of local leadership. During the First Five-Year Plan period the number of Panchayats rose to 1,17,593 and by the end of the Second Five-Year Plan Period the number is expected to increase to 2,50,000.

14. **Training of Personnel** :—The successful implementation of the Development Programme must obviously depend on the availability of trained personnel. A comprehensive training programme side by side with the development programme has, therefore, been initiated by the Government to meet the country's requirements. Personnel selected by the State Governments are sent to the Training Centres in different parts of the country. There are at present 48 Extension Training Centres for village level workers (Grama Sevaks). Basic training in agriculture is imparted in 55 basic agricultural schools and 20 agricultural workshops. For the training of Grama Sevikas there are 24 Home Economics Wings and two auxiliary Home Economics Cells attached to the Extension Training Centres. Twentyseven Training Centres to train group level workers are also operating in the country. There are, in addition, 9 Training Centres for social education organizers and 3 for block development officers. For block-level extension officers (co-operation) there are 8 Training Centres in the country. For Block-level Extension Officers (Industries) 9 Centres are functioning at present. Health personnel are trained in 3 Training Centres. There are over 39 institutions for the training of auxiliary nurse-midwives and 9 centres for the training of Lady Health Visitors and 6 others for the training of various categories of Project personnel up to the end of December 1956 :—

Category	Number of personnel trained	Number of personnel under training
Village Level Workers (Exteneion)	16,816	5,390
Village Level Workers (Basic)	8,106	3,656
Group Level Workers	2,115	203
Social Education Organisers (Men)	1,537	337
Social Education Organisers (Women)	634	130
Social Education Organisers (Tribal)	51	19
Block Level Extension Officers (Industries)		
(i) Small-scale Service Institutes	143	145
(ii) Khadi Board Mahavidyalayas	—	210
Block Level Extension Officers (Co-operation)	155	434
Block Development Officers	1,268	88
Health Personnel	926	9

15. **Establishment of a Research Institute** :—A Central Institute for providing training to key personnel, administrative as well as technical, has been set up at Delhi, with the approval of the Central Committee on Community Development. The object is to train personnel, particularly in group methods and sociological aspects of the Community Development Programmes. A women's Advisory Committee is also to be set up. It will advise the Government in increasing the tempo of programmes for women and children.

16. **Evaluation of Achievements** :—The P. E. O. (Project Evaluation Organization) has drawn certain conclusions from an objective assessment of the results achieved in the N. E. S. and C. D. areas. A few of these conclusions which are important are mentioned below :—

(1) While the difference made to development expenditure in the post-intensive phase areas is not as great as appears at first sight (with the exception of the provision for medium-term loans), the fact remains that as far as the block staff are concerned, there is very real and substantial fall in the volume of funds at their disposal for direct administration on development purposes in their areas. When this fact is taken in conjunction with the tradition of spending and construction activity that has grown up round the project staff, it is not difficult to understand the sense of disquiet that has overtaken most of them, and especially the Grama Sevaks who now have larger charges of area and population but more limited resources to meet the requirements of these charges.

(2) Almost all villages have been covered by one or more items in the programme.

(3) Items involving physical change, especially constructional and irrigational activity, are widespread, and have contributed in some measure to the production potential and the social over-heads of the block areas.

(4) Items involving changes in standards or norms of living, especially in regard to primary education and drinking water are comparatively successful, while those concerning adult literacy and personal and environmental hygiene are not equally successful.

(4) Items involving change in social attitudes such as readiness to go in for or maintain community centres, youth clubs and women's organisations are, generally speaking, not particularly successful.

(6) Items involving change in organisational attitudes in the economic field such as better understanding of the objectives and obligations of co-operation and readiness to make use of co-operative societies for purposes other than credit such as production and marketing are comparatively unsuccessful.

(7) Items involving change in organisational attitudes in the political field such as better understanding of the objectives and responsibilities of *panchayat* membership and readiness to use *panchayats* for planning and executing village development programmes are comparatively unsuccessful.

(8) While there has been considerable increase in rural consciousness of economic, and to a smaller extent, of social needs the objective of stimulating continuing positive effort based on self-help for promoting economic or social development has been comparatively unsuccessful. Too much dependence on government initiative and assistance is still being exhibited by the vast majority of the rural population affected by the programme.

(9) The rural population in project areas is, generally speaking, now developing a feeling that government is there not merely to rule but also to help. In fact, expectation of what government can do to help has perhaps reached a stage beyond the current resources of government. On the other hand, there has not taken place an equally strong sentiment of self-reliance and initiative, whether individual or co-operative. Unless, therefore, government deploy more resources in areas and the people, in turn, show greater initiative and self-help, a situation is being created in rural India, which is bound to create serious difficulties.

(10) There is wide disparity in the distribution of the achievement and therefore, of the benefits of community project programmes. This disparity exists as between different blocks in the project areas. Within the blocks, it exists as between the headquarter villages of Grama Sevaks, the villages easily accessible to them, and the villages not so easily acces-

sible. Within the villages, it exists as between cultivators and non-cultivators; and within the cultivating classes, it exists as between cultivators of bigger holdings and larger financial resources and those of smaller holdings and lesser financial resources. This is a matter of serious concern not only in terms of regional and social justice but also in terms of the political consequences that may ensue in the context of the increasing awakening among the people.

(11) Orientation of the project staff in the objectives and techniques of community development and of the Five-Year Plan is neither adequate nor uniform in distribution.

(12) More needs to be done by State Governments by way of strengthening their technical staff and research facilities both at the State and District levels in view of the mounting needs of the people.

(13) More attention needs to be paid to the whole problem of training of block staff and orientation of the specialist staff. In spite of the fact that the movement has now been in existence for more than four years, there is not sufficient understandning of the objectives and techniques of community development programmes among the specialist staff.

(14) In a country like India, no extension worker can hope to get the confidence of the rural people unless he attends to what the villagers feel are their most immediate needs and unless he makes himself useful to them in the manner in which they want. It was really, therefore, a matter of good fortune from the point of view of the eventual success of the C. D. and N. E. S. programme that the project staff had at their disposal ample funds for both construction and irrigational work and the Grama Sevak was able not only to disburse funds for satisfying the felt needs of the people but also secure for them the supplies and credit without which they would not have been able to effect any improvement in their material conditions.

(15) Moreover, it is a fact that the villager has a number of needs for which he wants immediate action and expects his government to assist him in the satisfaction of these needs. He expects that somebody in the village should do this. So long as the local village *panchayat* and the local co-operative society

are not well organized and so long as the normal development departments of government have not created the physical and technical resources such as staff, warehouses, seed stores, fertiliser depots, research stations and the like, easily accessible to the villager and readily available within his resources, somebody has to fill the vacuum. It may be unfortunate that the Grama Sevak has to do so, but it is an inevitable product of the comparatively backward stage the country occupies today in the field of economic development. It is vitally important, therefore, that the transition in the role of the Grama Sevak from the C. D. to the N. E. S. pattern should take place by gradual stages and alongside the filling up of the economic and physical gaps in the countryside. The implications of this proposition should be considered in all its bearings before undertaking a wholesale programme of conversion of C. D. into P.I.P. blocks and sticking to the present pattern of the P.I.P. both in terms of the functions and its budget provisions.

(16) If the objective indicated by the Planning Commission, viz., that the Grama Sevak should establish contact with every individual family in his area and help to plan its production programme is to be fulfilled, there must be a substantial reduction in the area and population allotted to him for this purpose.

(17) As regards techniques, far more emphasis should be placed on preparing the people in each block for the planning and operation of development programmes in the case of new N.E.S. blocks and for the change in the role and resources of the project staff in the case of conversion from C.D. into P.I.P. blocks. This means a more deliberate and definitely greater use of the *panchayat* and the co-operative than has been done so far. It is perhaps not entirely a matter of coincidence that the three best projects in the Evaluation Centres happen to be those where the project officers have made the largest use of the *panchayats* and the co-operatives in the implementation of their development programmes. Greater attention will have to be paid to community and group organisation in the training of Grama Sevaks and more orientation given to the superior development staff at district and State

levels in the philosophy of community development in the context of a planned economy.

(18) As regards phasing of the expansion programmes, it seems clear that greater attention to pre-planning and longer periods of training will be needed. Financial provision as well as physical availabilities also need to be increased, if the country is to be successfully covered with one or other types of blocks during the Second Five Year Plan period. Whether the considerations outlined above make it desirable that there should be a slowing down of the expansion programme during the current plan period is a question that requires far more study and discussion than it has been possible to give in this Report.

(19) What is significant is the general lack of enthusiasm of the villagers towards adult literacy. Underneath the various reports received from the P.E.Os. about defects of one kind or another in the operation of literacy programmes, there appears to be definite evidence that rural adults are not particularly keen about literacy. This indifference, existing side by side with their eagerness for education of their children (mainly male children but also increasingly female children), is a matter for investigation.

(20) Community centres have been established in a majority of the project areas. Construction of such community centre buildings has been a popular programme in many areas. The running of the recreation centres has not been, however, satisfactory. The experience with the numerious clubs organised by the social education staff—farmers' clubs, youth clubs, womens' clubs—is also similar.

(21) The almost universal failure of activities of 'club type' and the strong appeal of activities requiring occasional participation is an experience which needs special study, especially for the lessons it can provide for the future formulation of programmes in this field.

(22) In considering the future of this programme, it seems clear that the "targets and number of activities" approach is particularly unsuitable in this field. There should be less emphasis on giving 'centres' or facilities and more on building up the communities to receive these. Some really

effective criteria should be devised to determine whether the community really wants a given facility before it is given to it. This may reduce the pace of progress in physical terms, but this reduction will be more than compensated by the gains in spontaneity and permanence in social activities among the people.

(23) There is need for greater emphasis on activities in which the people themselves take initiative and which can serve as the natural medium of expression for them. Thus a *bhajan mandli* or a dramatic club is to be preferred to an entertainment party organised by the project.

(24) Community projects and blocks, although they did include promotion of cottage industries and attention to the needs of the artisan classes as part of their programme, did not have comprehensive programmes formulated for the artisan class on the lines of those for the cultivating classes, either in terms of extension or of supplies. In view of this deficiency in the programme it was decided by the Community Projects Administration in the middle of 1955 to take up an intensive programme of development of cottage and small scale industries in 25 pilot projects in different parts of the country.

(25) The objectives of these pilot projects were to set up an integrated regional plan for the development of small and cottage industries in the rural areas, provide an extension service for the artisans and workers engaged in these occupations, help in organising the supplies and credit they needed and take up an immediate programme for their benefit.

(26) Then there are the problems of administrative co-ordination created by the multiplicity of agencies working in this field. From the reports received from practically all the P.E.O.'s centres, it is clear that problems of co-ordination, of procedures and sanctions, and of financial powers are all creating an even larger problem for the implementation of these pilot project programmes than they did in the case of the community development programmes. Similarly, great stress has been laid on the problems created by all-India rigidities of patterns in programmes relating to individual industries and the need for flexibility and freedom of adaptation to local requirements and circumstances.

(27) Then there is the important problem of securing long range co-ordination, if not integration, of these programmes with the machinery set up for development under the C.D. and N.E.S. patterns. The exact relation of the C.P.O. (I) with the B. D. O., the role of the Grama Sevak in the programme of industrial extension, and the relation, between the proposed village industries organiser and the Grama Sevak are all matters which need attention and thinking even at this preliminary stage. Similarly, also, it is important even at this stage to do some more thinking on the pattern of industrial extension envisaged in the pilot projects in the light of the fact that while service artisans are more or less evenly spread over the country, craftsmen proper like handloom weavers tend to be concentrated in some area. Therefore, it may be necessary not to adopt a strict area-based pattern which is satisfactory for agricultural extension work but may not be equally so for industrial extension.

(28) The loan funds provided in the project budgets have not been fully utilized, the percentages of utilization being considerably lower than those of non-loan funds. The project staff and Grama Sevaks had frequently to make considerable efforts to persuade villagers to avail of the loans. Utilization was especially poor in backward agricultural areas where the cultivators have very limited resources.

(29) Lack of adequate staff for collection or lack of co-ordination between the advancing and the recovering agencies are the other factors leading to accumulation of large arrears, which has been reported from a number of projects.

(30) Most of these loans have been available to the cultivators. Among the cultivators, cultivating owners have been the main beneficiaries, and among them, those with medium and large holdings have been able to benefit much more than the small holders.

(31) Continued availability of loans for irrigation and other land improvement measures in such areas where there are considerable possibilities of increase in agricultural production, and especially for ensuring fuller utilisation of the facilities being made available by the large irrigation works, will

be a great advantage for the development of the areas concerned.

(32) The easy availability of loan funds coupled with inadequate and defective arrangements for checking of existing liabilities and recovery is not a happy combination of factors. In fact, considering the way the loans have been given in some projects, the percentages of default may well prove to be substantial. Apart from the financial loss, the psychological effect of this on the people cannot also be beneficial.

17. **The Role of Co-oeratives in C.D. Projects and N.E.S. areas** :—The Communty Development Programmes visualise planning on a democratic basis in which the people are expected to be partners or participants to ensure their success. Village co-operatives or farmers' co-operative organizations are essentially democratic bodies both in their outlook and day-to-day working. They work for the achievement of the triple ideal of better farming, better business and better living. Co-operatives should, therefore, play a vital role in executing many of the items in the programme of rural development in the Community Development area. The Planning Commission has recommended that in all the aspects of community development co-operative methods of organisation should be adopted to the maximum possible extent. The Commission in this context writes:

"It is not easy to conceive how, in the absence of co-operative organisation of their business and of their social activities, this desirable object of community projects can be realised. While the working of these projects is no doubt likely to vary from areas to areas in keeping with local environment a broad co-operative pattern should be considered essential."

The Report of the Grow More Food Committee has some pertinent remarks to observe :—

"The co-operative principle in its infinitely varying forms is capable of adaptation for finding a solution to all problems of rural life. In fact, it is in the co-operative principle that such a solution can be found. The aim should, therefore, be

to see that there is at least one multi-purpose society in every village or group of villages on which practically every agriculturist-family is represented. This would indeed form a most important item in the programme of village level and other workers. It is only through this organisation that the villagers can improve their condition through their own efforts."

The co-operative organisation could be made use of in the following aspect of the community projects work :—

Supply of short-term, intermediate-term and long-term finance to farmers through thrift and credit societies multi-purpose societies and land mortgage banks. The needs of the cultivator are many and these have to be met fully, if the food problem in the country is to be nearer solution. Short-term loans are required for raising crops, intermediate-term loans for the purchase of bullocks, carts and other agricultural implements and putting up small bunds, and long-term loans for making permanent improvements on land.

18. **Supply of Short, Medium and Long-term Finace for Agriculture** :—An extension service, however, cannot produce results unless the agriculturists are financed for their long-term term, medium-term and short-term needs. Long and medium-term loans have almost entirely to be found by the Central Government and States except to some extent by the Reserve Bank of India. At the end of 1954 the long-term loans outstanding against agriculturists in the Land Mortgage Banks were of the order of Rs. 878.86 lakhs. During 1953-54, fresh loans issued amounted to Rs. 140.50 lakhs. With a view to increasing loans for productive purposes in Land Mortgage Banks and to contribute to the success of their debenture issues, the Government of India and the Reserve Bank jointly formulated a scheme in 1953 (1) according to which the Government of India (or the State Government in arrangement with the Government of India) and the Reserve Bank have agreed to take up 40% of any issue of debentures or the unsubscribed balance, whichever is less; (2) half the purchase they make will be on Government account and half on the

Reserve Bank account, and (3) the concerned Land Mortg on- Bank should agree to the conditions that within 12 month the date of this combined purchase loans will be made with for productive purposes aggregating to not less than h exist- total amount involved in such purchase and that in tion of such loans special attention should, as far as possible, have been Community Project areas, National Service Blocks may well areas where agricultural development is schedial loss, the place, e.g., as a result of a major irrigation work hnot also be operative in the area. Land Mortgage Banks, howev vide only a very small portion of the total long-term an medium-term credit needed by the agriculturists in India and for a long time to come, therefore, Central and State Governments will have to come forward to make finance for these periods. In the Second Five Year Plan, the targets for short-term, medium-term and long-term credit have been fixed respectively at Rs. 150, Rs. 50 and Rs. 25 crores and it is on the Reserve Bank that this responsibility of meeting the credit needs to the full would fall. To facilitate the grant of medium-term loans to the Co-operative Movement by the Reserve Bank, a separate sub-section 4(A) was included under Section 17 of the Reserve Bank of India Act, which enables the Reserve Bank to advance medium-term loans for periods exceeding 15 months but not exceeding 5 years on the guarantee of the State Governments subject to two conditions, viz., (1) that the limit of such loans for each State Co-operative Bank should not exceed its owned funds, and (2) the total for all State Co-operative Banks, should not exceed Rs. 5 crores in the aggregate. This overall limit for the country as a whole and the limit in respect of each State Co-operative Bank were later removed by a further amendment of the Act in 1955. A good number of loans for medium-purposes ranging from 1 to 3 years were issued particularly in Madras, Uttar Pradesh and Punjab and to a fair extent in Bombay, Andhra, Madhya Pradesh and Orissa. Loans exceeding three years were also heavy in the States of Madras and Andhra. Efforts were also made by the State Governments towards disbursing Rs. 25 crores per year for medium-term agricultural loans, which was a target laid down in the Second Five-Year Plan. The follow-

ing table indicates loans issued exceeding one year in the States mentioned below :—

Name of the State	Loans exceeding one year but not exceeding two years.	Loans exceeding two years but not exceeding three years.	Loans exceeding three years.
	(— Amounts in lakhs —)		
1. Andhra	28.16	—	44.36
2. Bombay	44.87	8.97	2.38
3. Madras	154.32	—	411.90
4. Madhya Pradesh	48.84	9.40	—
5. Orissa	25.25	32.77	1.74
6. Uttar Pradesh	109.00	25.00	2.00

The following statement shows the medium-term loans granted to the State Co-operative Banks by the Reserve Bank of India for agricultural purposes, repayments made and outstandings at the close of May 1957 :—

	Amount outstanding at the beginning of the month	Amount advanced during the month	Amount repaid during the month	Amount outstanding at the close of the month	Rate of Interest
	(— Amounts in lakhs —)				
Various State Co-operative Banks.	130.54	2.23	2.50	130.27	1½%

As regards short-term credit, we may refer to the loans issued by agricultural credit societies which numbered 1,26,954 at the end of 1954. The amount of loans outstanding with members of these agricultural credit societies was Rs. 4,156.43 lakhs, loans issued during 1953-54 were of the order of Rs. 2,964.56 lakhs and recoveries amounted to Rs. 2468.03 lakhs. The Reserve Bank of India assists in the provision of short-term credit through State Co-operative Banks for financing seasonal agricultural operations and for marketing of crops and makes advances against Government Securities and Land Mortgage Bank Debentures. The amount of loans and advances

granted to State Co-operative Banks, under Section 17 of the Reserve Bank of India Act, for the purpose of financing seasonal agricultural operations or marketing of crops or bona fide commercial or trade transactions and repayments made and outstandings at the close of May 1957, are given in the table below:—

	Amount outstanding at the beginning of the month	Amount advanced during the month	Amount repaid during the month	Amount-outstanding at the close of the month	Rate of Interest
	(— Amounts in lakhs —)				
Various State Co-operative Banks	1954.06	364.02	220.92	297.16	1½%

The Report of the Grow More Food Enquiry Committee observed in this context: "In 1951, the Reserve Bank estimated the total short-term and medium-term capital needed at Rs. 500 crores, taking as the basis the fact that in Bombay the average short-term loan issued by the co-operative movement to an agriculturist family is Rs. 100/-. There is another method of calculating this. Assuming that the needs for annual agricultural operations for an acre of wet land come to, on an average, Rs. 60/- and of dry land to Rs. 20/-, the total annual requirements will amount to Rs. 800 crores. Figures like these are only approximate but they give an indication of the order of finance that will be needed when improved agriculture is practised on a large scale. It should also be remembered that as land reforms are introduced and the larger holdings disappear, an increasing share of the burden of providing such finances will fall on the co-operative movement or the State. This underlines the need we have already pointed out for spreading the co-operative movement so widely that most agricultural families would come within its scope and after societies are formed, for continuous effort to improve their quality. This should be the most important function of the "Extension" staff. In this connection, we would recommend that loans advanced to cultivators should, wherever possible, be made

through approved co-operative societies. Until the movement develops, the Central Government and the States will have to take an increasing share in providing short-term finance. In 1950-51, the Central Government advanced Rs. 1.93 crores to States as short-term loans.

In view of the importance of short-term finance for agricultural production we recommend that States should have definite programme for increasing the number of co-operative societies and improving their working and see that these are implemented. From the point of view, we welcome the efforts made by the Reserve Bank of India to assist Part 'B' and 'C' States in setting up co-operative apex organisations. It will be the duty of these States to build up a healthy co-operative movement which will support these apex institutions. In the meantime, while the co-operative movement is being strengthened in States, we recommend that the Central Government, in consultation with the Reserve Bank of India, should give short-term credit facilities to States of larger amounts than hitherto for the specific purpose of financing agriculturists who are outside the movement, specially the smaller landholders and tenants. The target we have in mind is that in the four years from 1952-53 the co-operative movement and the Central Government should together make short-term advances which would reach an annual limit of Rs. 100 crores by the 4th year. A Committee consisting of a member of the Planning Commission with representatives of the Finance Ministry and Food and Agriculture Ministry should review the position in each State periodically in consultation with representatives of the Reserve Bank of India and make suitable recommendations to the Government of India and the States. What is essential is that the Reserve Bank of India should be satisfied that the arrangement made by States for the disbursement and recovery of these short-term loans are quite efficient.

We also recommend that as large a portion as possible of the available funds with the Central Government should be earmarked for permanent works of utility. Subsidies should be reduced and eventually abolished. Where they have to be given, they should be given to villages or to co-operative so-

cieties and not to individuals. This latter condition will not apply to well subsidies. So long as these are continued, they will have to be paid to individual applicants as well."

The problem of provision of credit to the farmer, particularly for land improvement, bristles with difficulties and lack of facilities for obtaining easy credit for long-term agricultural improvement is largely responsible for the slow progress of agricultural development. The question of providing finance for marginal and sub-marginal cultivators has also to be tackled satisfactorily. Almost all loans are taken by the big cultivators or by persons who have substantial tangible security to offer for the loan. The State will have to come forward to guarantee the loans made to marginal and sub-marginal cultivators and current rules of valuation of land and provision of credit would have to be suitably modified, if sufficient credit is to reach the cultivator, and the rules framed at present err too much on the side of caution. For such activities leading to financing of the different classes of the agriculturists in the villages, a multi-purpose society would be an ideal institution. The multi-purpose ideal has gained ground in the country, and multi-purpose co-operatives are accepted as the most suitable organisations at the village level, so that all the legitimate or essential economic needs of the villager may be met by one competent co-operative agency. A group of five or ten villages should have a multi-purpose society to which all the credit societies in the area should be affiliated.

In addition to making short-term and medium-term loans. the multi-purpose society would stock pure seed, artificial manures or fertilizers, improved implements, including a tractor, if possible, and certain consumer goods for the daily requirements of members. It may maintain a stud bull also and open small workshop for undertaking repairs to the agricultural implements. It would also market the produce of members and would own godowns for storing goods and would promote subsidiary occupations allied to agriculture. A multi-purpose society would be of immense use to the village community in mobilising free and voluntary labour for community works and

would also strive to foster social and recreational activities, give various extension services to farmers, assist in stepping up agricultural production by encouraging the digging of manure pits, planting trees, bringing waste lands into cultivation, undertaking construction or repairs to wells, taking up schemes of land improvement and helping in the promotion of education and eradication of bad social practices. In short, a multi-purpose society is expected to be the hub of village life in all its branches and the spearhead of all progress. It should be remembered in this context that a multi-purpose society or for the matter of that a village co-operative credit organisation cannot undertake or finance all the projects because of the limitations on its work, imposed by its constitution, and by the Act, Rules and the Bye-laws governing it. For example, a multi-purpose society cannot finance the building of a village road or excavation of a tank which would appropriately fall within the sphere of a village panchayat, although a multi-purpose society might persuade the members to help such works, by enlisting voluntary labour. The finance required by a multi-purpose society is usually received through a banking union or a branch of a co-operative financing agency which would obtain its own capital locally, supplemented, if necessary, by funds obtained from the Provincial Co-operative Apex Institution. If the latter also has not got sufficient funds, the Reserve Bank of India might have to be approached in the matter. State loans, if and when granted should usually be channelled through a multi-purpose society. It is for the co-operative workers to take full advantage of the community projects to develop co-operative organisations at the village level and the aim should be to bring every family in the area of the projects into the fold of some co-operative society. In cases where families are not creditworthy for the time being, there should be a period of probation during which such families may be enabled to build up credit by means of increased production or subsidiary occupations, so that they may be qualified for membership.

Landless Labourers' Co-operatives in Villages :—The condition of backward classes and of agricultural labourers could

be improved considerably, if they are organised into labour co-operatives, and works which are at present entrusted to private contractors are got executed through them. In cases where Government waste lands could be reclaimed or fallow lands can be obtained from landlords, it is possible to organise landless labourers into co-operative tenant-farmers' societies with adequate assistance, financial technical or administrative, made available by the State.

Marketing Co-operatives :—Marketing co-operatives would have to be organised in the project areas both for the purpose of purchasing agricultural requisites and for the joint sale of produce of agriculturist-members in order to eliminate the middleman. These organisations should be extensively employed for supplying the farmers fertilisers, seeds improved implements, etc. Where conditions permit, marketing co-operatives should be encouraged to take to processing activities as well.

Co-operative Farming Societies :—An important field of development to which special significance is attached is co-operative farming. An increase in the units of cultivation is necessary if full advantage is to be taken of scientific knowledge and modern methods of agriculture. The organisation of Co-operative farming brings advantages not only to the farmers themselves but to the community itself in general, because co-operative farming brings in increased production and tends to raise the standard of living of farmers. It tends also to develop among the farmers a social sense and democratic spirit. Its chief merit is that it offers opportunity for setting the youth and the landless workers on the land.

Irrigation Societies :—The need for intensive cultivation of land in order to step up food production by tapping various sources of irrigation such as rivers, tanks, wells, tube-wells, bandharas, on co-operative lines, need not be over-emphasised. Since cultivation is dependent on the vagaries of the monsoon, irrigation for the purpose of efficient and profitable farming provides immense possibilities. A percolation well can irrigate a few acres of land, but it would be desirable to sink tube

wells also for the purpose, but tube wells are costly and are normally beyond the capacity of the average cultivator. Cultivators owning adjoining land should join hands in sinking a co-operative tube well by raising the necessary capital from among themselves. Contributions to the total capital required may be fixed with reference to the size of the holdings coming within the scheme. The Project administrations would probably be able to finance the requirements of such societies out of the funds placed at their disposal. Members so helped could be charged a levy fixed on an hour basis of water supplied and surplus water, if any, might be diverted to non-members' use slightly at an enhanced rate. Lift Irrigation Societies, where water is plentiful or easily obtainable from the bed of a river or a nalla or a canal can also be successfully organised in project areas, provided both the State Governments and the Project Administrations render financial aid to such societies on a loan-cum 'subsidy basis.

Co-operative Milk Supply Societies :—Co-operative dairying is another suitable industry subsidiary to co-operative farming and occupies an important place in the village economy. Post-War Scheme No. 63 in the Bombay State visualises the organisation of milk supply unions in towns having a keen demand for milk from consumers, and also the organisation of feeder societies in the rural areas. If the conditions in the project areas permit, organisation of milk supply societies should be taken up in order to provide a supplementary occupation to the villagers. It is a well-known fact that agriculturists who form a majority in the project areas are underemployed, because the needs of employment are not all met by farming. During the slack seasons, agriculturists are required on account of limitations of nature to turn to some other occupations. Besides these part-term workers, there are other classes of artisans in the villages who because of increasing competition from organized industries, find it difficult to maintain their employment in industries. To secure full employment and to supplement the income of part-term workers, cottage and village inudstries would require to be organised

and revived on a co-operative basis in project areas and comprehensive surveys of these industries should be undertaken early in collaboration with the Co-operative Department and the Department of Industries."

Industrial Co-operatives :—The main purpose of the industrial co-operatives is to provide capital required by small artisans or producers and to supply the raw material needed for their calling and generally to assist them in the disposal of their finished products, so as to prevent their exploitation by the middlemen. The village artisan requires a small amount to buy the raw material required by him. He usually borrows this from a moneylender in the village at an exorbitant rate of interest. Having manufactured the product, the problem he has to face is to find a purchaser for it, and to repay loan borrowed from out of the sale proceeds. He will be able to repay the loan only if his product finds a ready market. If the product, however, does not command ready sale, he has to sell to the dealer of such products from whom he might have even borrowed the raw material as advance, if he has not borrowed from a moneylender. The dealer takes full advantage of this unfortunate situation in which the artisan finds himself and buys the product at as low a price as possible. Thus the artisan or the producer in the village becomes a victim of the greed of the dealer who exploits him. Even if we suppose that the artisan has some money of his own for purchasing the raw material required, he has still to face the problem of marketing his product. If he is required to take it to a nearby commercial centre which provides an outlet for such product, it does involve time and expense. So, what the poor artisan does is to send his product to the dealer at the commercial centre who agrees to sell it on consignment basis. If the dealer manages to sell it immediately, well and good. He deducts a small commission for the services rendered and sends the balance of the sale proceeds to the artisan. If, however, he is not able to sell the product, he returns it to the artisan after charging rent, insurance etc., incurred by him. Thus a village artisan employing himself and in self-employment, is hit hard in doing independent business. The best

way of helping the village artisans or producers out of these difficulties is to bring them under the co-operative fold. Under the co-operative method of doing business, there is no employer-employee relationship. Secondly, the artisan need not have to borrow from either the moneylender or the dealer for the purpose of getting the requirements of raw material. Thirdly, they have also no difficulty in marketing their products, since the society undertakes to market what they produce, directly to wholesalers or consumers. In short, the middleman who exploits the artisans or producers both on the credit and marketing side are eliminated and the profit they annex are preserved for the workers. In the Chapter on Programmes for Cottage Industries, the Fourth Evaluation Report on the working of Community Project and N. E. S. Blocks has the following pertinent remarks to make :–

"While the organising of artisans in industrial co-operatives is undoubtedly a matter of high priority, it must not be assumed that the only real obstacle is finance which, therefore, can be met by loans for the purchase of shares. An industrial co-operative requires for its success certain qualities in its members, which are not readily present among rural artisans and for understandable reasons. A long and persistent process of education is required and it would be a tragedy if this were to be ignored in an attempt to achieve targets by showing a large number of industrial co-operatives within a given period. In the meanwhile, the individual artisan badly requires assistance both for purchase of raw materials and of improved or new implements. Thus, e.g., formation of credit co-operatives or even the institution of industrial equivalents of taccavi loans to individual artisans may be better as a first step than insistence on membership in an industrial co-operative here and now as a necessary condition for assistance. It will also be more realistic if attention were to be concentrated in the first instance on established cottage industries for supplies of credit rather than take on at one step credit, supplies, marketing and skills through one co-operative organisation. It may also be useful to follow the practice which has been reported to have met with success in some centres, viz., making the

village industries organiser ex-officio secretary of the industrial co-operative whenever one is formed.

(4) It is important to take due note from the very beginning of the role of the village industries organiser as an extension worker. For this purpose, it is important to organise an adequate course of training for village industries organisers which will include not only subject orientation, but also proper training in extension methods and especially in group organisation and personal relations. Training is even more important in the case of these workers than in that of V.L.Ws. Immediately steps, therefore, should be taken to set up an adequate training machinery.

(5) The principle should be clearly recognised by all concerned that the C.P.Os. and Block Industrial Officers are primarily a part of an extension movement, that they are subject specialists, and that they should be appropriately linked with the District Officer and the B.D.O. who are the area specialists for rural development.

(6) Some method should be devised for securing popular participation on the part of the artisan class in the choice and implementation of the programmes intended for their betterment. As in the case of agriculture, so also in the case of cottage industries, planning should not merely be a matter for the experts."

19. **Evaluation of the working of Cooperatives in the C. D. and N. E. S. Areas** :—A recent Report on the working of the Community Development and N. E. S. Programmes published by the Union Government mentions that satisfactory growth and development of co-operatives in those areas has been recorded. The number of new co-operative societies formed since the beginning of the Community Development Programme in 1952 stood at 49,000, which is 46% more than the number of primary co-operatives formed during the last fifty years. The membership of these societies rose from 47.7 lakhs to 73.48 lakhs—nearly an increase of 54% during the last four

years. It is also understood that 500 co-operative farming societies are being set up in the Community Development and N. E. S. Areas. Though this appears to be an impressive record, no information is available in regard to the various types of societies, their membership, share capital and their activities. Information is also not available regarding the position of societies which were already in existence prior to inauguration of the Blocks, as it is quite possible that developmental efforts might have been directed not only towards organizing new societies but also towards strengthening of old ones. If an objective assessment of the progress of co-operatives is to be had, details regarding the position of the co-operative movement in the areas covered by the Development Programmes, the Plan of Development chalked out and the targets fixed and the degree of success that has atteneded the efforts in implementation of the Plan are necessary to be known. In the absence of the requisite information in regard to these essential points, it is difficult to judge whether the organization of economic activities on co-operative lines in the C. D. and N. E. S. areas has reached the level expected of it. It is only in the Bombay State that some information regarding the number of societies, their membership and share capital of various types of societies registered in Community Development Projects and National Extension Service areas is available up to 30th June 1955. The following table gives the details :—

Types of Societies	No. of Socys.	Memerbership	Share Capital
Multi-Purpose Societies	1013	1,52,061	39,05,159/-
Lift Irrigation Societies	44	2,437	5,13,855/-
Co-operative Farming Societies	46	1,615	1,48,371/-
Housing Societies	73	3,225	96,921/-
Industrial Co-operatives	134	10,785	1,50,188/-
Other Societies	104	16,978	14,55,035/-
Total	1412	1,87,095	62,69,529/-

Source of Information : Statistical Statements relating to the progress of Community Development and National Extension Service Blocks in Bombay State—Published by the Bureau of Economics and Statistics.

The Fourth Evaluation Report makes reference to the following conclusions reached by the P. E. O after objectively assessing the working of co-operatives in the N. E. S. and C. D. areas. Extracts from this Report are given below:—

1. There can be no doubt that the C. D. and N. E. S. programmes have created material conditions that are favourable for the expansion of the co-operative movement in their areas. But the impact of the programme on the co-operative movement has been quite uneven. To some extent, this was the result of the uneven development that already existed in these areas before the advent of the projects. But there is no doubt that it is also due to the enthusiasm or the indifference shown by the project staff in the building up of the co-operative movement in their areas. All this is a matter of serious concern, in view of the importance that the Planning Commission and the country attach to the role of co-operation in rural development.

2. It is also a matter of concern that multi-purpose co-operative societies are multi-purpose mostly in name and that in the vast majority of cases, they just function as credit societies. Even when they have activities additional to credit, it is mostly distribution of fertilisers or of improved seed, and not marketing of output or joint use of production facilities.

3. In view of the importance of linking up of credit, supplies and marketing, a theme which has also been highlighted by the Rural Credit Survey Committee, it may perhaps be worthwhile instituting a more detailed study of the systems of 'integrated finance' which have been working with considerable success in some project areas and exploring the possibilities of their extension to other crops, including foodgrains.

4. In view of the fact that labour co-operatives directly benefit one of the most important under-privileged classes in rural society and the need for exploring the possibilities of their introduction in other areas, it would be worthwhile making a detailed case study of these societies, as also of the

practice reported from Bihar where Panchayats have directly undertaken some construction work on a contractual basis.

5. The basic importance of education in understanding the objectives of co-operation and willingness to abide by the responsibilities it involves is well brought out by the experience of the movement in the project areas. Except for a few project areas, where co-operative traditions had long been prevalent and co-operative institutions well established before the project period, the P. E. Os. are agreed that the movement is still largely official in initiative and support, and has not evoked that sense of identification and member responsibility without which there can be no real or lasting progress in the co-operative movement. Inquiries made from members in more than one project area revealed that they had practically no knowledge about the working of their societies, hardly attended any of the meetings of the societies and regarded them simply as one way of obtaining credit. In any case, what is clear is that more importance needs to be given in the project areas to the question of education in co-operation. The project staff must be suitably oriented for this task and more emphasis placed on the quality of the co-operative societies functioning within a project area than merely on a given increase in their number.

6. It must be recognised that co-operation is not just a technique of economic organisation. On the contrary, co-operation is a way of life, embodying a philosophy that requires both understanding, acceptance and positive action on the part of its individual membership. It is in this sense that co-operation goes together with democracy and gives vitality and permanence to the latter in the economic sphere.

7. By and large, success has not attended industrial co-operatives in the project areas and it is reported that even what little success they have attained will in most cases vanish when government funds are withdrawn from their support.

8. A long and persistent process of education is required for success in co-operation and it would be a tragedy if this

were to be ignored in an attempt to achieve targets by showing a large number of industrial co-operatives within a given period. In the meantime, the individual artisan requires assistance for purchase of both raw materials and improved or new implements. Thus, e.g., formation of credit co-operatives or even the institution of industrial equivalents of taccavi loans to individual artisans may be better as a first step than insistence on membership in an industrial co-operative as a necessary condition for assistance.

9. In view of the importance of credit in industrial rehabilitation and the need for seeing that credit is made available not only to creditworthy persons but also for creditworthy purposes, every project area should have a special industrial credit committee on which the C. P. O., the District Industries Officer, the State Bank, the Co-operative Central Bank, the B. D. O. and the Co-operative Department are represented.

10. Financial assistance from the State, mainly in the form of loans, has already become and will continue to be in future a very important instrument for stimulating development in rural areas. That loans should as far as possible be channelled through the co-operative structure is an objective on which there is general agreement. But it appears likely that at least for some time to come this objective may not be fulfilled to any large extent and, Government will have to give loans directly to cultivators, artisans and other villagers.

11. The need for a well-defined and comprehensive policy for loan programmes cannot be over-emphasised. The purpose of the loans, the criteria for selection of beneficiaries, the manner of co-ordination between the different lending departments of Government, between the lending departments and the co-operative agencies should all be clearly defined. It is also important to ensure that the flow of loan funds not only contributes to the objective of economic development, but also assists, in particular, the under-privileged sections in the rural areas to contribute to the productive resources of the community.

20. **Loans Programmes** :—In the Community Projects of the 1952-53 series a large provision was made for loans. In regard to these loanable funds in the project areas, the 4th Evaluation Report makes the following observations :—

The availability of these large loan funds came at a time when there were, nominally at any rate, a number of loans agencies already functioning and loans were available from a number of sources. Thus e.g., co-operative societies, land mortgage banks and some of Government departments were giving loans for various purposes. The Land Mortgage Bank loans were available only in a few areas and were not very important quantitatively because of the small number of cultivators who could benefit from them. Co-operatives and Government Departments were thus the two main sources of institutional finance. The Departments of Agriculture and Revenue had been giving substantial loans under the G.M.F. and other schemes of agricultural development for some years. Small loans were available for other purposes also, especially for development of cottage industries, housing etc.; Loans from co-operative societies are in most cases short-term loans available for purchase of seed, manure and for other agricultural operations. But medium term loans were also available for minor irrigation and other purposes in some areas. The coming of the projects meant a great increase in the loan funds available for development purposes, and a larger coverage of the rural population. But a secondary result was the addition of yet another agency to those existing already in the field of loan finance.

Utilisation of Loan Funds :—The loan funds provided in the project budgets have not been fully utilised, the percentages of utilisation being considerably lower than those of non-loan funds. In case of 12 projects of the 1952-53 series for which data were obtained by the P.E.O., utilisation of loan funds is only about 70% as compared with 85% for the 'other than loan' funds. The figures of advances to individual cultivators, artisans etc., are much less than even the above figures of loan utilisation, because in many projects large amounts

out of the loan funds were transferred to State departments for such purposes as construction of irrigation work (Bhathat–U.P.) and rural electrification (Erode–Madras).

In most of the projects, 50% or more of the loan funds were provided for irrigation. These were available to cultivators for construction or improvement of wells, for purchase of pumps, installation of tube-wells or in a few cases to co-operative societies for irrigation schemes (e.g., in Kolhapur-Bombay, Kakinada-Andhra). These loans have been utilised by large numbers of cultivators in only a few projects, notably Batala-Punjab, Manavadar-Bombay, Rajpur-M.P. and to a lesser extent in projects like Kolhapur-Bombay, Erode-Madras, Kakinanda-Andhra. It must be remembered, however, that irrigation loans can be utilized by cultivators to augment irrigation facilities only in those areas where irrigation by cultivators themselves is already well developed.

In many projects large funds were provided under Agriculture and Animal Husbandry' for loans. These were mainly used for giving short-term loans for sale of fertilisers on credit. In some projects the amounts were very substantial, e.g., Kakinada, Erode, Md. Bazar. Reclamations loans have been generally difficult to utilise because of limited possibilities of reclamation in most project areas. Extensive utilisation has been reported from only two areas–Kolhapur and Manavadar both of Bombay. In the former, these loans were utilised mainly for purposes other than reclamation. These were used by cultivators to buy shares of Co-operative Sugar Factories as also to give their matching contributions to project areas but, in others, also by individual artisans. Excepting the Mohd. Bazar Block of West Bengal where very small amounts were distributed to artisans without security, these loans have not been extensively availed of.

As mentioned above, the other loan agencies existing in the project areas continued to operate during the project period. The co-operative societies as explained in Chapter XII, experienced a considerable expansion both in numbers

and in their loan operations during the project period. In some cases, some of the project loans were also channelled though the co-operative system. But, by and large, project loans were advanced through the official machinery. Loans were made on the recommendation of the Grama Sevaks, subject-matter specialists, and the Project Officer; recovery of the loans was the responsibility of the Revenue Department. In several cases, project loans are reported to have competed with the co-operative loans, as those were available on more favourable terms, e.g., on lower rates of interest. In any case, the possibilities of strengthening the co-operative structure with the large loan funds available in the project budgets have not been utilized to any significant extent.

Administrative Inadequacies :—It was found that in most cases, the areas were not receptive enough for absorbing these large loan amounts. But even for utilising the amounts actually disbursed, the project staff and Grama Sevaks had often to make considerable efforts. In the less developed agricultural areas, where cultivators are poor and have very limited resources, these large loan amounts were particularly difficult to utilise and the project authorities have perhaps given loans knowing that repayment will be difficult. It has also been reported from one project area that the same person received loans several times even if he had not paid back the amounts borrowed earlier, and that influential persons were particularly successful in availing of the different kinds of loans. Also, as was pointed in the last Evaluation Report, there has frequently been no check of the total liabilities of a borrower by the advancing agencies before making a fresh loan, so that in many projects some cultivators have succeeded in getting large amounts, which it will be difficult for them to pay back. Steps are, however, in contemplation in some areas to provide for prior scrutiny. Lack of adequate staff for collection or lack of co-ordination between the advancing and the recovering agencies are the other factors leading to accumulation of large arrears, which have been reported from a number of projects.

Beneficiaries—Most of these loans have been available to the cultivators. This has been due partly to the fact that land is about the only security that can be furnished in the rural areas. A second reason is that programmes of loans for agriculture were longer established and better developed than, e.g., of loans for cottage industries. Among the cultivators, cultivating owners have been the main beneficiaries, because many of the tenants could not furnish the needed security. Among the cultivating owners, those with medium and large holdings have been able to benefit much more than the small holders, because they alone could furnish the needed securities, and were also in a better position to undertake the improvements, e.g., installation of a pumping set, buying a tractor, than the small holders. Short-term loans, however, have been utilised by the smaller cultivators in large numbers. In some projects like Erode-Madras, programmes of special small loans have been in existence, which have been extensively availed of by the small cultivators. In Pusa-Bihar, petty cash amounts (not exceeding Rs. 50) have been lent without security. Loans under rural arts and crafts have been given most frequently to co-operative societies of artisans. In a few areas, they have been given to individuals also. In West Bengal, small loans have been given without any security to individual artisans in large numbers. These loans are in the nature of 'rehabilitation loans' as they have enabled the artisans to buy raw materials, implements and to work more regularly on the crafts. Obviously, such small amounts cannot be adequate for making any substantial improvement in production techniques. The Harijans have benefitted especially from housing loans which have been availed of in a few areas (e.g., Erode).

The Effects of Loans :—Wherever irrigation or reclamation loans have been extensively utilized, these have led to an increase in agricultural production. Availability of loan funds in adequate measure has been a major factor in facilitating investment on the part of cultivators in the land improvements needed for utilization of irrigation waters, e.g., in Erode-Madras (Lower Bhawani Project). Similarly, these loans have contributed very substantially to investment in irrigation and

land reclamation measures, following consolidation of holdings in the Punjab projects. Continued availability of loans for irrigation and other land improvement measures in such areas where there are considerable possibilities of increase in agricultural production, and especially for ensuring fuller utilisation of the facilities being made available by the large irrigation works, will be a great advantage for the development of the areas concerned.

The easy availability of loan funds coupled with inadequate and defective arrangements for checking of existing liabilities and recovery is not a happy combination. In fact, considering the way the loans have been given in some projects, the percentages of default may well prove to be substantial. Apart from the financial loss, the psychological effect of this on the people cannot also be beneficial.

Need for a Loans Policy :—Financial assistance from the State, mainly in the form of loans, has already become and will continue to be in future, a very important instrument for stimulating development in rural areas. That loans should as far as possible be channelled through the co-operative structure is an objective on which there is general agreement. But it appears likely that at least for some time to come this will remain only an objective and Government will have to give loans directly to cultivators, artisans and other villagers. As the total volume of rural credit, and the range of activities for which it will be available are likely to increase greatly in future, it is more than likely that in spite of increasing diversion to the co-operative sector, direct Government lending will not only not decrease substantially from the present level, but may in fact increase. In view of this, the need for a well-defined and comprehensive policy for the loan programmes cannot be over-emphasised. The purposes of the loans, the criteria for selection of the beneficiaries, the manner of co-ordination between the different lending departments of the Government, between the lending departments and the co-operative agencies should all be clearly defined. It is also important to ensure that the flow of loan funds not only contri-

butes to the objective of economic development, but also assists the under-privileged sections in the rural areas to improve both their economic position and their capacity to contribute to the productive resources of the community.

21. **Recommendations of the Mussoorie Conference :—** The 6th Development Commissioners' Conference held at Mussoorie in April 1957 under the chairmanship of Shri V. T. Krishnamachari, Vice-Chairman of the Planning Commission, made a number of momentous recommendations having far-reaching consequences. Those relating to the Co-operative Movement are given below:—

1. (i) Administrative arrangements and facilities should be so planned and extended that every village is able to take advantage of co-operative credit or multi-purpose society.

(ii) Existing co-operative societies should be revitalised and their membership improved.

(iii) Where a village is not already served by a co-operative society, the aim should be to persuade an adequate number of agriculturist families to join a society during the pre-intensive stage. During the intensive phase, the membership should be raised to cover 50 per cent. of the agriculturist families in the village, the percentage being raised to 75 per cent. during the post-intensive phase.

(iv) Each member should be persuaded to subscribe a minimum share capital of Rs. 10 during the intensive stage and to raise it during the intensive phase to 10 per cent of his annual production loans requirements and to further raise it to 20 per cent. during the post- intensive phase.

(v) At least one member of the managing committee and two others from each society should be trained in the principles and practices of Co-operation by organising camps at the rate of one per annum in each VLW's circle, in close association with similar agencies.

(vi) Subject to availability of funds, each block should be served by at least one Co-operative Marketing Society having a godown of its own, which should be located in the nearest Mandi centre, for the purpose of storage of seeds, fer-

tilizers spraying implements, dusters, and agricultural produce etc.

(vii) As visualised in the Second Five Year Plan, each block should establish at least, one co-operative farming society, particularly in the post-intensive phase.

(viii) Co-operative production and/or marketing in at least two of the following subjects should be undertaken in each block:—

(a) Dairying and milk supply.
(b) Poultry.
(c) Silk-worm rearing.
(d) Bee-keeping.
(e) Brick-making.
(f) Oil-crushing.
(g) Gur and Khandsari manufacture.
(h) Coir and mat-making.
(i) Other village industries which come under the cottage and Village Industries Commission, Handloom Board etc.

(ix) Survey should be carried out to determine the extent of production finance required for the development of agriculture, animal husbandry, fisheries, village and cottage industries, and a detailed plan should be prepared for providing the necessary credit and for linking it with marketing.

(x) State Co-operative Departments should be suitably strengthened at the various levels and adequate power should be delegated to the officers at different levels for implementation of the minimum programme.

2. Regarding Industrial Co-operatives the Conference recommended that the programme of training of secretaries and members of the co-operative societies should be expanded. It was also of the view that an officer of the Industries Department may be nominated ex-officio Joint or Deputy Registrar of Industrial Co-operatives or vice versa. This officer should be provided with adequate staff and should also be given the powers of the Registrar of Co-operative Societies. Before starting industrial co-operatives, it is necessary to have a proper survey of the scope for the working of industrial co-operatives

and the benefits likely to be derived from them. The question of a panchayat joining an industrial co-operative as a member was raised and it was suggested that this point may be considered by the Committee set up by the Ministry of Food and Agriculture to study the question of Co-operative Law.

In view of the difficulties in organising industrial co-operatives there should not be an over-emphasis on the formation of such co-operatives in the matter of giving assistance. It may be necessary to continue assistance to individual artisans until such co-operatives are formed. In some cases it might be necessary for the Government agency to set up production units which could be later handed over to Co-operatives formed of workers in these units. It was recommended that the report of the PEO on the working of the Pilot Projects for industries may be studied by the local Community Project Officers when the whole question could be further examined.

For effecting co-ordination between the various All India Boards, it was recommended that a Committee of the representatives of the All India Boards and of the Ministries of Community Development and Commerce and Industry may be constituted to go into the question of working of these Boards.

3. On the subject of Credit the Conference was of the opinion that more attention should be paid to the provision of adequate institutional finance to small artisans. There is the question of providing adequate and timely credit both to artisans who can offer sufficient security and also to those who do not possess sufficient assets to offer as security.

The Conference also recommended that steps should be taken to co-ordinate the grant of loans to artisans which are being given by different agencies at present. This could perhaps be done by setting up a committee of officers and non-officials at sub-District level, with certain powers for sanction and payment, if possible. In other cases this body could merely scrutinise and forward the applications to the sanctioning authority.

4. The Conference recommended that products of village industries sold through co-operative societies may be exempted from sales-tax and octroi for an initial specified period.

5. Regarding Agriculture the Conference opined that the recommendations of the Estimates Committee that the possibility of Panchayats or co-operatives taking up plant protection work for the entire village on the lines of the malaria Squads was examined and it was recommended that pilot projects be started in at least one village in each endemic block.

6. In the matter of Poultry Development the Conference held that a major limiting factor in the development of this programme was the inadequate supply of improved stock to the C. D. and N. E. S. blocks. It was, therefore, necessary to increase the productive capacity of the State farms and to organise co-operatives of primary producers for ensuring a remunerative price to the latter.

7. In regard to Tribal Welfare, the Conference recommended the formation of multi-purpose co-operative, societies, including agricultural marketing co-operatives. It also said that forest co-operatives should receive priority.

Preservation of food is an important item, and, wherever possible, co-operatives for food preservation may also be formed.

State Governments should take steps to investigate the problems of indebtedness of tribals, and initiate legislation for the redemption of their debts.

8. In respect to Housing the Conference recommended that co-operative societies should be formed for manufacturing building material, such as bricks, lime, tiles, etc.

9. In the matter of Co-operative Education the Conference recommended that for the success of the Co-operative Movement it is necessary to undertake the education of members of societies on a much larger scale than has been undertaken, so far. For this purpose it is suggested that each

co-operative society should have one or two meetings in a year of all the members, when the entire working of the society would be reviewed. Similarly seminars of members of groups of societies may also be organised. The District Co-operative Boards could also play an important part in this respect.

10. Regarding Community Development and Gramdan villages the Conference opined that the ultimate base will have to be the community Unit, which will have the shape of either the village co-operative society or the village panchayat or a composite body. This can, even, have the form of a village self-governing body with the various wings for economic activities, legal functions, executive functions etc.

The existing difficulty of Gramdan villages in respect of procuring loans, because of the fact that the land does not belong to the individual has to be overcome. The community unit whether it is of the character of a co-operative society or a panchayat will to a large extent solve this difficulty.

Co-operative farming forms part of the national agricultural policy. Gramdan presents the most favourable conditions to work out successfully programmes of co-operative farming of several types. Co-operative farming should, therefore, be encouraged in Gramdan villages. This will demonstrate to other areas also the benefits of co-operative farming.

It was felt that after agriculture, the next important subject which can receive greater impetus in Gramdan villages would be the village and small industries; and every possible help and encouragement should be given to the growth and development of such villages and small scale industries through the village bodies or village co-operative societies or similar institutions.

FIGURES AT A GLANCE

Allotment of Community Development and N.E.S. Blocks as on 5th September 1957.

	Post-Intensive Blocks	C.D. Blocks (a)	N.E.S. Blocks
1952-53	202	—	—
1953-54	56	—	—
1954-55	—	—	50

1955-56	—	152	246
1956-57	—	250	495
1957-58	—	99 (b)	570 (c)

(a) Converted from N.E.S. Blocks.

(b) Includes 43 special multi-purpose Blocks (Tribal Areas) taken up ab-initio as Community Development Blocks.

(c) Includes 234 new Blocks to be started 2-10-1957.

Approved programme for the Second Five Year Plan.

	C. D. Blocks	N.E.S. Blocks
1956-57	—	500
1957-58	200	650
1958-59	260	750
1959-60	300	900
1960-61	360	1000
Total	1,120	3,800

No. of Villages and Population covered.

I. As on September 5, 1957 —

No. of villages covered	2,72,756
Population covered	149.8 million

II. Second Five Year Plan —

The whole of rural India will be covered.

Official estimate of Requirements of Technical Personnel.

		Upto the end of Second Five Year Plan
1.	P. E. Os./B. D. Os.	5,000
2.	Block Level Extension Officers (Agriculture)	5,000
3.	Block Level Extension Officers (Animal Husbandry)	5,000
4.	Block Level Extension Officers (Industries)	5,000
5.	Block Level Extension Officers (Co-operation)	5,000
6.	Social Education Organisers	10,000 (5000 men & 5000 women)
7.	Progress Assistants	5,000
8.	Village Level Workers	50,000
9.	Gram Sevikas	3,520
10.	Medical Officers	1,760
11.	Compounders	1,760
12.	Sanitary Inspectors	1,760
13.	Lady Health Visitors	1,760
14.	Midwives	6,000
15.	Overseers	5,000

Training Programme (As on 31-7-1957)

Category	No. of Training centres*	No. Trained	No. under Training
1. Village Level Workers (Extension)	55	16,322	2,646
2. Village Level Workers (Basic)	77	10,402	4,027
3. Village Level Workers (Integrated course)	24	4,098	2,708
4. Gram Sevikas	27	406	441
5. Group Level Workers	17	2,504	109
6. Social Education Organisers	8	2,667	451
7. Social Education Organisers (Tribal)	1	104	21
8. B. D. Os.	3	1,456	104
9. Health Personnel	3	1,315	1,195
10. Co-operation (Block level extension)	8	638	550
11. Extension Officers (Industries)	8	494	372

* It has been decided to open more centres for training of various categories of project personnel required up to the end of the Second Plan period.

Government expenditure and People's contribution upto *March* 31, 1957.

	Government expenditure	People's contribution (a)	
	(Rs. in crores)	Value in (Rs. crores)	per Block Rs. '000)
Post-Intensive Blocks :			
1. 1952-53 series (Oct. '52 to Mar. '57)	30.47	11.39	553
2. 1953-54 series (Oct. '53 to Mar. '57)	6.70	2.71	511
C. D. (Converted N.E.S.) Blocks :			
3. 1955-56 series	8.64	7.45	490
4. 1956-57 series	9.39	10.63	425
N. E. S. Blocks :			
5. 1954-55 series (Oct. '54 to March '57)	3.23	313	243

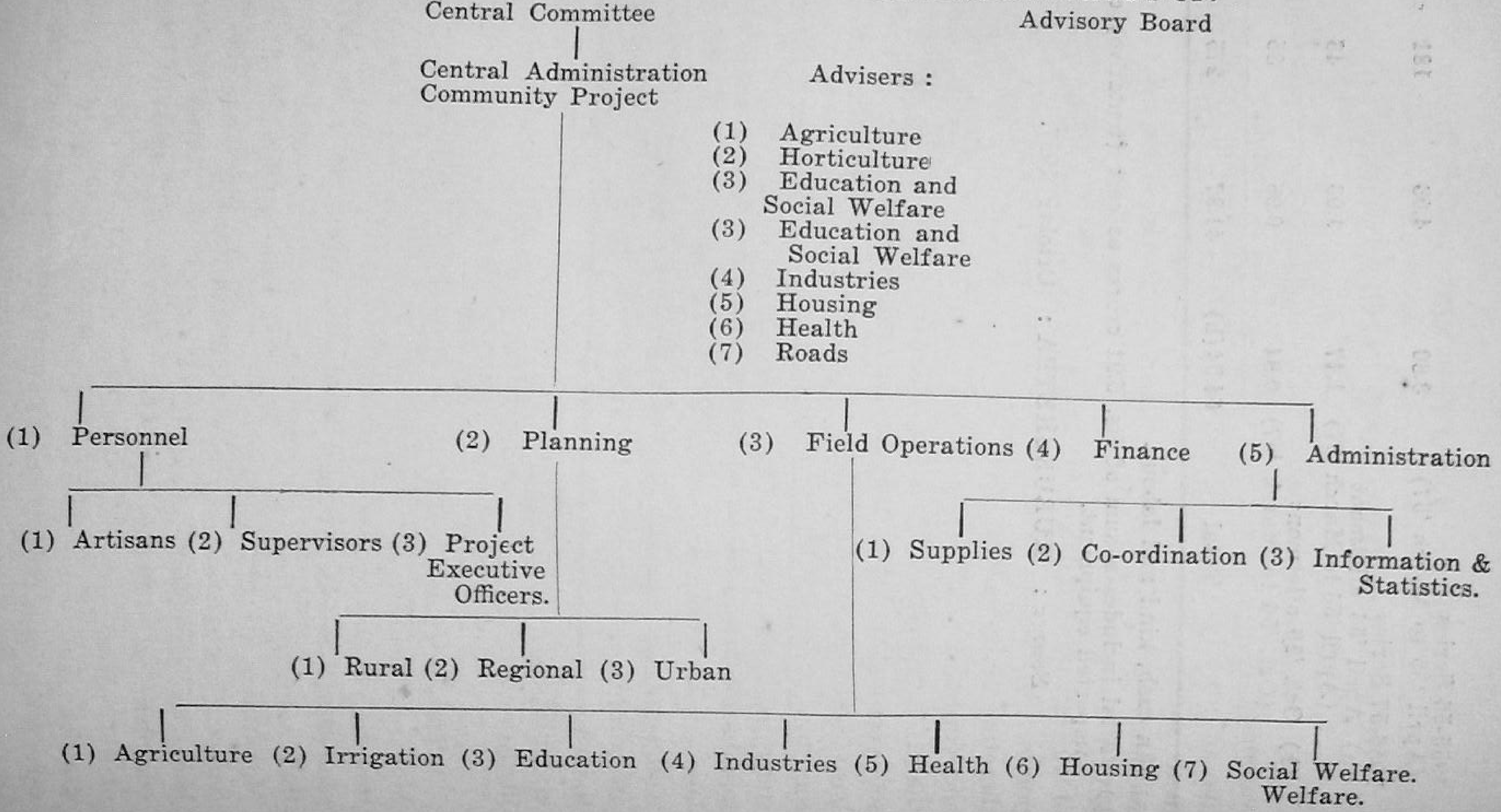
6. 1955-56 Series (April '55 to March '57)	3.80	4.08	181
7. 1956-57 Series			
(a) April '56 allotment (April '56 to March '57)	1.47	1.03	43
(b) Oct. '56 allotment (Oct. '56 to March '57)	0.84	0.95	35
Total	64.54 (b)	41.37	275

(a) In cash, kind and labour.

(b) Total includes a sum of Rs. 5.91 crores as cost (tentative) of imported equipment.

Source : KURUKSHETRA : October 1957.

DIAGRAMMATIC REPRESENTATION OF ADMINISTRATIVE SET-UP.



CHAPTER XIX

SARVODAYA AND CO-OPERATION

1. What is Sarvodaya? In an earlier chapter an attempt was made to bring out the chief characteristics of the co-operative organisation and to compare and contrast it with other rivals such as capitalism, socialism, communism etc. There is another system or socio-economic order known as SARVODAYA the philosophy behind which is not only similar to that of co-operation but even transcends it in a few fundamental points. No serious student of co-operation can afford to be, therefore, innocent of what Sarvodaya is and how it compares and contrasts with co-operation. The essence of Sarvodaya is that as its name implies, it is at once a theory and a method of socio-economic order. It represents the ideal social order and its basis is all–embracing love as it seeks the welfare of all. It can, therefore, accommodate all people irrespective of their views, status, colour, caste, creed, sex etc. All are to be equal members of the social order, all sharing in the product of their labour, the strong protecting the weak and each promoting the welfare of all. The rival systems like socialism and communism are competing with it for claiming adherence but it differs from them as will be explained hereafter. According to its followers Sarvodaya claims to be the only satisfactory solution to the ills from which humanity is suffering all the world over.

The doctrine of Sarvodaya was nearest to the heart of Mahatma Gandhi as it represents the positive side of the philosophy, of non-violence and truth, Gandhiji held that all exploitation whether through wealth or power was violent and that wherever there was violence untruth would creep in; Mahatmaji devoted his energies to the establishment of a Sarvodaya Samaj–a socio-economic order based on non-violence and truth but he did not enunciate the theory in all its completeness as he believed that a Sarvodaya Samaj must grow of its own momentum, once the principles underlying it were grasped and imbibed by the people. It may be noted, however, that even during his life-time theorists were not wanting

to build the philosophy of Sarvodaya the fundamentals of which are given by Shri Vinobaji Bhave in his book "SWARAJYA-SHASTRA."

2. The whys and wherefores of the Sarvodaya Scheme :– In primitive societies the individual's freedom to grow was seriously hampered by caste, immemorial custom and rigid conventions. These lead to the creation of an unequal and unjust society. Freedom was later denied to the individual by the kings, priests, aristocrats, slave owners and guild-masters. Everything was permanently decided for the individual by his status in the society. There was no free movement of men, goods and ideas. The breaking of the various impediments on individual liberty marks the advent of modern times. Free contract in place of status came to regulate the relationship between man and man. In religion freedom of worship and individual conscience were recognised while restrictions on commerce and industry were removed, thus facilitating free trade but in the very process of removal of old shackles on individual liberty new bonds came to be forged. The Industrial Revolution ushered in as a result of advance of science and new geographical discoveries brought in, plenty in place of want. But this plenty was confined to a small sector of production and the result was that society came again to be divided into two classes, viz. masters of machine and wage slaves or the wealthy and the poor. This disparity or inequality in the possession of wealth created again inequality of status. Inequality of wealth affected not only the economic life of the individual but it also had an adverse influence on his political and cultural life. Possession of wealth gave to a small class of people all the advantages associated with it, viz., social preeminence, education and political power. In the political field equality before law became a mere formality as also the free vote. In the international field the search for raw materials and markets for manufactured goods coupled with a hunt for outlets for remunerative investments and cheap labour led to the capitalistic domination known as colonialism or imperialism that crushed the industrially backward nations. The lust for territory on the part of the rival capitalistic com-

peting nations gave rise to international conflicts to be settled by the evermounting armaments and the destructive weapons invented by science leading to the production of the atom-bomb. Every armed conflict tended to become global. Karl Marx, therefore, wanted the destruction, of capitalistic imperial order by violence and revolution because, it had everywhere enslaved man and had made the realisation democracy an impossibility. Karl Marx, therefore, pleaded for the establishment of a social order built upon justice, equality, rights of the individual and democracy. He contemplated the withering away of State through the strengthening of the individual freedom and democracy. His followers have, however, conceived their task differently. Though Russia is believed to be built on Marxism, there is not only no sign of the withering away of the State but the State has become on the contrary all too powerful and all pervasive. It dominates not only political, economic but also the moral, cultural and intellectual life of the individual. We have also the totalitarian regimes destructive of freedom and democracy based in ideas of nationality, race and the right of the elite to dominate.

It is a well-known fact that Gandhiji entered public life through economics; not only did he recognise the importance of economic life but he also held that modes of production and distribution of goods affect, moral, political and social institutions. He strived for the establishment of a social order based on truth and non-violence. He believed that such a social order was impossible under the capitalistic system of production which depended upon the moral and material exploitation of labour. He was of the opinion that the economic life should be so moulded as to avoid untruth and violence. He, therefore, elaborated the idea of decentralised industry and organization of agriculture on a co-operative basis, but he did not advocate the expropriation of the wealth of the exploiters. He wanted simply to destroy capitalism at its very roots, i.e. at the stage of production itself. With the decentralisation of production of goods, there can be no divorce between the machine and the owner of it. The tools or the small machines or other equipment which the artisan uses in his own home

can be owned without creating economic, social and political inequality. Again, the decentralisation of wealth production has another advantage in that it prevents undue accumulation of wealth in the hands of a small privileged class. Such an arrangement of the production process makes also for economic equality which is a great asset to democracy. A political democracy is a mere sham without economic equality. If capitalistic centralised production is destructive of democracy, production under State ownership and management is no less destructive of it. The latter destroys individuality or personality, as effectively as the former. No doubt, under communism the individual may be supplied with the requisite quantity of economic goods quickly and cheaply, but at the cost of individual liberty; without individual freedom there can be no moral, cultural or political progress. Although decentralised industry is the basic concept of Gandhian economics, Gandhiji recognized that centralised big industry could not be altogether dispensed with under modern conditions. According to him, centralised industry should be organised and managed by public corporations and if need be, by the State for the common good of the people. He further believed that men are not exploited through defective economic organization alone, but they are equally exploited through defective political organization as well. He, therefore, advocated that economic decentralisation should proceed *pari passu* with decentralisation in politics, because a centralised democracy has a tendency to become bureaucratic. Thus according to Gandhian conception, convenient regions should manage not only their economic but also their political life. He wanted every region to be a small republic within itself, because he believed that democracy should mean real freedom to mange one's own affairs and that it can more effectively function in small units and that such units should exercise the functions of Government in respect of their own affairs. According to Gandhian conception, the State is to be a kind of federation of such semi-independent units. Gandhiji believed that in such an equalitarian socio-economic order free from political or economic exploitation, the common man can lead a free, moral and spiritual existence; otherwise, just as wealth and power are the monopoly of a few,

the spiritual and moral life would also in the same way be the exclusive preserve of a few fortunate beings.

The ideals and objectives of a Sarvodaya Society and how they are sought to be achieved in various fields of economic and social activity.

The ideals of Sarvodaya are, therefore, the creation of a non-violent society through progressive realisation of the social and individual personality of man under a pattern of life which is co-operative in social, moral and cultural pursuits. For the development of the personality of man, regional self-sufficiency based on the decentralisation of economic and political power which avoids the concentration of wealth and power is a few hands is essential. In a classless society of this type there would be afforded full opportunity for all for securing full expression of personality, and of attaining that level of productive efficiency which would ensure a proper standard of life. The general features of a Sarvodaya Samaj are mentioned below :—

3. **Property** :—Proprietorship in agricultural land would vest in the actual tiller of the soil under regulations laid down by (Samaj) society.

(2) In decentralised industries the instruments of production would be owned either individually or co-operatively.

(3) Centralised industries would be owned by the community and run by the State or public corporations or co-operatives, if possible.

Consumption :—It is believed that an arrangement of property rights under which all property would vest in the community and the individual and an organisation of the productive system on the basis of maximum regional self-sufficiency and decentralization would have the effect of utilising man-power to the best advantage. It would further reduce the proportion of working to non-working population and reduce the pressure on land and increase production per capita.

4. **Standard of Life** :—The minimum income should assure to an average family adequate food, clothing and housing accommodation which may be expressed on the basis of the present level by a monthly income of Rs. 100/-. Disparity in income should be levelled down. The ceiling to all incomes should be imposed at twenty times the minimum income. Adequate arrangements should also be made for cheap and easily available services for education and health.

5. **Production** :—The following principles should govern production :—

(1) It should create wealth efficiently and distribution of it should be undertaken widely and easily.

(2) Production should be such as to supply the primary needs of the people before comforts or luxuries are catered for.

(3) It should be such as to elicit all the faculties of the worker and develop his personality.

(4) It should facilitate peace and harmony in society.

6. **Agriculture**:—Planning of production should be under taken in the field of agriculture and industries allied to Agriculture. All non-cultivating interests in land or intermediate interests should be abolished, and sub-letting prohibited. A person should be deemed to cultivate land personally, if he puts in some amount of physical labour except in the case of widows and minors etc. Protective tenancy should be granted and the owner of the land should have the option to resume the land to make his self-cultivated land economic. The tenant also should have the right to purchase a holding at a reasonable price to be determined by the Land Tribunal.

(a) **Pattern of Agrarian Economy** :—*Size of holdings.* The size of holdings should determine the types of farming. There may be three norms, economic, basic and maximum. An economic holding should be determined in the agricultural conditions of different regions on the following principles :—

(1) It must afford a reasonable standard of living to the farmer.

(2) It must provide full employment to a family of normal size and at least a pair of bullocks.

A basic holding would be smaller than the economic holding but not insufficient for the purpose of agricultural operations and yield per unit. The maximum holding may be put at three times the size of the economic holding.

(b) **Modes of farming** :—On all the holdings between the basic and the maximum sizes, the tiller would be the proprietor of the soil under suitable regulations. The farmer should have a permanent transferable and heritable right of cultivation of land subject to the following conditions :—

(1) that he does not sub-let his holding ;

(2) transfer should be permitted by an appropriate authority and at a price considered reasonable and according to well-defined priorities laid down ;

(3) He conforms to the standards of husbandry laid down and to the schemes of crop planning prepared from time to time by the Land Council.

The rights vested in the community are to be exercised by the Land Council through agencies at different levels, the basic one being the Village Panchayat. The latter would be in charge of all the common assets of the village such as waste land, village sites, tanks, forests, etc. It would also collect the land taxes from the farmers.

(c) **Co-operative Joint Farming**:—All holdings below the basic size should be organized into co-operative joint farming Intelligent propaganda and liberal State-aid should be made in selected areas under the directions of the Provincial Farming Boards to be set up.

(d) **Collective Farming** :—On reclaimed lands collective farming should be organised by landless labourers under the control and direction of the Land Council, and there should be farms also set apart for experiment and research.

by providing implements and raw materials. Till these industries are socialized they should be controlled and owned by the community and run through corporations or co-operatives, if possible. The existing competition between decentralised industries and centralised industries should be ended by reserving some sections of production, entirely for village industries out of the taxes imposed upon the competing centralised industries. The sterling balances should be primarily utilised in getting capital goods for the rationalization of centralised industries. The efficiency of basic industries should be improved through rationalisation and they should be planned under a separate council under the Planning Commission.

(a) **Foreign Concerns** :—There is no place for foreign concerns either in the sector of centralised industries producing consumer goods or in the sector of key industries. They would either disappear or pass under public ownership.

(b) **Economic Civil Service** :—To secure efficient development and conduct of socialised industries, the following matters should receive attention :—

(i) An economic civil service be organised which would furnish industry with executives of different grades. This can be secured by the absorption of some of the owners of centralised industries in the economic civil service.

(ii) Training of the requisite personnel in the industrial cadre.

(iii) Technical training and general education of workers.

(iv) Intensive and detailed economic survey.

(v) Control of scarce resources.

(c) **Industrial Research** :—Research should be so guided that centralised industries serve to increase the organisational and technical efficiency of decentralised industries. The necessity of reducing the size of centralised industries and of locating them in rural areas and developing small-scale industries auxiliary to these industries may be explored.

(d) **Decentralised Village Industries and Co-operatives :—** Village industries should be promoted through industrial co-operatives providing a common workshop where the goods could be produced jointly. These co-operatives should supply the raw materials required and sell the finished goods. The structure should be pyramidal with primaries at the base, the associations at the district level and the apex institution at the top. Electricity may be availed of to improve the technical efficiency of village industries. The artisans and the workers should be enabled to devote themselves to production free from responsibilities attaching to getting the raw materials and sale of finished products. Direct loans and subsidies to the industrial co-operatives should be arranged by the Rural Finance Board. The raw materials and accessories required by cottage and village industries and their products may be exempted from octroi duties, terminal taxes, sales-tax and other charges. The raw material in short supply needed by these industries should be distributed on a basis of priority. Development of village industries would depend on the creation of the right type of leadership. A cadre of organisers, technicians and administrators should be trained and built up.

(e) **Labour and Industrial Relations :—**In the decentralised industries there would be very little scope for the exploitation of labour, as hired labour is not engaged. In the centralised industries which are public-owned, all disputes between employers and workers should be settled through conciliation, arbitration and adjudication. There should be established regional labour boards in each industry to determine wages and conditions of labour. Labour should be associated with management in order to promote friendly relations. Interest in the industry on the part of workers should be promoted through profit-sharing. The workers should be guaranteed minimum wages and protection from the consequences of old age, sickness and unemployment.

8. **Banking Insurance and Currency :—**The programme should be to organise mass savings and to control investments in the interests of agriculture and decentralised industries. The aim

should be ultimately to socialise banks and insurance companies, so as to save the national economy from the manipulation of high finance. A network of multi-purpose societies to canalise the smallest bits of savings from the lowest strata of society should be organised. The surplus resources of urban areas should be invested either in Government loans or shares of the public-owned Industrial Finance Corporation. The use of money should be minimised in every sector of economy. In a self-sufficient decentralised economy with the minimum internal and international trade on the basis of barter with payment of wages and taxes in kind as far as possible and with advance of financial credit to agriculture and industry the use of money would be reduced to a minimum.

9. **Distribution** :—All imports from the urban area to rural areas should be regulated through the multi-purpose society which would export only those commodities of a region of which it has a definite surplus and would import only those which it cannot produce at a comparative advantage and those which are essential to life.

(a) **International Trade** :—In the international field the principle should be to import nothing which the nation can do without. Foreign trade should be controlled through a corporation attached to the Planning Commission and imported articles should be distributed through the co-operatives. The raw materials and strategic resources should be utilised within the country and not allowed to be exported. Trade relations should be established with those countries whose economies are complementary to the Indian economy.

10. **Transport and Communications** :—Planning of communications should be attempted in such a way as to be suitable to a decentralised society. The pressure on the railways and metalled roads would be less in such a society. The main vehicle in rural areas should be the bullock-cart and emphasis should be placed on building village approach roads and inland waterways. The railway rates policy should be revised so as to help decentralised village industries.

11. Health and Hygiene:—Instead of increasing the hospitals people must be taught to preserve their health by observing proper sanitary conditions, using proper diet and by regulating sex-instinct. Men and women should be taught self-control and discipline. Work and leisure should be so arranged as to add to the health and happiness of society. In order to preserve health, purity of water supply in villages should be the first care and villages should be provided with protected water-supply which is safe from contamination.

12. Education :—Education for a career must give place to education for service. The policy should be to impart education through constructive activities that make nine-tenths of our life. Basic education combines both cultural and vocational training. The system of education that aims at self-sufficiency, contentment and moral elevation can alone assimilate the teachings of the great established religions of the world. The conflct of religions and cultures no less than the conflict born of greed and self-interest has led humanity to accept violence as the law of life. A non-violent society would have to reverse this process and accept all religions as equally true and equally capable of improvement and perfection. Education would be imparted in the initial stages in the regional local language. At higher stages the common national language of the country would be used. Discipline and training for the regulation of mass activities would be an integral part of basic education.

13. Individual State and Country :—A non-violent society is built on the maximum decentralisation of the system of production administrative control and of political power. At present power develops from the top to the bottom, but it should evolve from the bottom to the top. At the bottom, there should be village panchayats dealing with the problems of education, sanitation, health, land and decentralised industries. There should be a Regional Council of Panchayats indirectly elected from the village panchayats, and a Provincial Council of Panchayats indirectly elected by the Regional Council of Panchayats. There would be an All-India Council of Panchayats indirectly elected by the Provincial Council of Panchayats. The village Panchayats

would be elected by universal adult franchise. A political set-up may be created on similar lines for urban areas. On a provincial and an All-India level there should be Parliaments co-ordinating Provincial Panchayats and Provincial Urban Assemblies. Provincial and All-India Council of Panchayats should have powers to legislate on land decentralised industries, while the All-India Parliament representative of the Provincial Parliaments should be in charge of defence, public utility, trade and foreign relations. There should be a Planning Commission consisting of four members. Of these, each of the three should represent the Land Council, the Decentralised Industries' Council and the Council of Public-owned Centralised Industries, and one non-official Chairman assisted by a Board of Experts. Thus planning would be organized in the interests of agriculture and decentralised industries.

14. **Realisation of Non-violence by the Government** :— The ultimate ideal should be to replace the military by non-violent defence. The noble qualities of courage, self-sacrifice and hardihood of a soldier should be recognized and utilised in the cause of non-violent defence. The evolution of a decentralised economy and political power would create conditions for non-violent defence. Steps in the meanwhile would have to be taken to educate the masses for discipline in non-violence by the organization of Shanti-Senas and by non-violent action in situations tackled normally by violent methods. Meantime, the military expenditure should be reduced by reducing the standing army and replacing the same by territorial force. This also should be utimately replaced by Shanti-Senas.

15. **Public Finance** :—Decentralisation of production and political power must be based on a decentralised financial system. The aim should be to evolve a financial system under which 50 per cent. of the public revenue collected may be spent by the Village Panchayats. From the balance of 50 per cent. the administration of the higher bodies should be financed. Taxes need be collected in cash, kind and labour and land revenue paid in kind. The difficulties of collecting taxes in kind should be overcome through the organisation of a

multi-purpose society and a grain bank in a village. Bulk of the salaries of the local officials should be paid in kind and even the higher officers should receive a part of their salary in kind. In the economy visualised, internal trade would be brought down to the minimum. There would be fall in revenues from income-tax and customs etc. Since manual labour would be a contribution to the exchequer, the coffers of the State in cash would be depleted, but would be replenished by real wealth. People would construct their own hospitals, schools and roads and thus they would cost less to the State. Through progressive realisation of non-violence expenditure on the military and police would diminish. Owing to the simplification of administrative machinery and the scaling down of salaries of public servants there would be a substantial economy in public expenditure. Similarly, when people begin to live a national life and with the introduction of basic education, education and health would cease to be a burden on the public revenues.

16. **Co-operative Commonweath** :—If the withering away of the State is to be brought about and a stage reached when the Government governs the least, it can be achieved only through a gradual and planned revolution in the political. economic and moral life of a nation. Such a revolution can be realised only through the spiritual development of man and the progress of natural sciences. If the principles of the Sarvodaya Society are to be implemented, the State should cease functioning through the anti-social sanctions of fear, greed and envy, and it should be replaced by a Co-operative Commonwealth in which social will and social co-operation would rest on moral sanctions applied by the community. The more the man relies on the State, for the enforcement of the social will and as an instrument of social co-operation, the further he recedes from the community. In a Sarvodaya society, institutions would be created which would be effective not by the strength of the coercive power of the State but through the practice of non-violence and Satyagraha. Such a society is neither a private village community nor a city state, and it represents the end of the struggle between the individual and

the community. From what has been stated above, we can now deduce the distinguishing features of a Sarvodaya Samaj. The practice of non-violence is an integral part of a Sarvodaya society. Violence always begets counter-violence leading to the destruction of all. Believers in Sarvodaya philosophy place more emphasis on the nobler side of human nature and argue that man after all is not goaded to action, being simply lured by material gain, but he has also altruistic motives besides acquisitive instinct. He is a social being and derives satisfaction from the practice of virtues to which humanity is heir. If this were not so, it is difficult to explain why scientists, philosophers and social workers should strive from times immemorial to make the life of the individual richer and fuller, so as to enable him to fulfil his destiny or to reconstruct the social order itself. Thus in order to constitute a Sarvodaya society its basic unit—the individual—must reform his ways of living and thinking, substituting for his greed and selfishness and competition a spirit of service and co-operation. When a nation successfully practises non-violence, other nations are apt to copy it and once the philosophy of Sarvodaya is accepted on a world-wide scale, the realisation of one world would be very easy—an effective antidote against the conflicting ideologies leading nations to a global war.

2. Whether in a political democracy or in a socialistic order of society there will always be two groups of people-one capable of leading others and another submitting to leadership, the industrial magnates and the manual workers, the intellectuals and the mediocre men. To keep the balance of power even between such opposing groups is a pretty difficult task. Even the most benevolent of men are likely to shed their spirit of benevolence, once they lick the honey of power. Besides, on account of their over-enthusiasm, well-meaning enthusiasts might stifle democracy itself. That is why the planners of Sarvodaya Samaj pin their faith in the decentralisation of power with a view to counteracting the influence of the administrators and the over-enthusiastic reformers and to keep them on a proper level. The planners of Sarvodaya Samaj plan their social order in such a way that power is not centralised at all

in one place. In the Sarvodaya scheme of things the villages require to be autonomous and economically self-sufficient. Most of their primary wants are met and industries decentralized occupy the spare time of villagers and capital and wealth are diffused. Such self-reliant and independent people would choose their representatives who would control the destiny of the State. The structure of Sarvodaya society is built on the solid foundation of villages practising the Sarvodaya philosophy. A federation of such villages would constitute regional groups which would, in their turn, constitute the national State. A Union of such States would be the United Nations of the World,—one world. The representatives of the people on all these bodies would be unselfish and the federations themselves would derive their strength and authority from the moral influence exercised by the representatives on the minds of the people. Such an ideal social order can only be achieved by the conquest of the hearts of the people and no amount of physical force through new scientific and powerful weapons of destruction can achieve this. Thus the Sarvodaya Planners' Scheme visualises the establishment of an International Brotherhood of Nations on the foundations of self-sufficient and autonomous villages. The political set-up envisaged sub-serves the following principles :—

(1) The power of each national Government must be so decentralised as to enable the people to govern themselves with the least governmental interference or control. This policy of decentralisation should aim at the reduction of the cost of defence and administration and simplification of the technique of Government.

(2) There must be complete identity of interests between the governors and the governed in each nation.

(3) A policy of all-round development of all the people instead of the greatest good of the greatest number must be pursued.

(4) The governed must co-operate with the governors wholeheartedly and willingly.

17. Theory of Trusteeship :—The Sarvodaya Planners believe that man can plan beforehand, and can not only elimi-

nate competition from the sphere of human action but also banish ill-will, hatred, conflicts which are corollaries to competition. Thus the theory of trusteeship is evolved whereby the more intelligent and wealthy in society are required to use their intelligence and wealth for the benefit of other people.

18. **Theory of Wages** :—The Sarvodaya planners have developed a theory of their own in regard to wages. They believe that all are not capable of producing an equal amount of wealth because of their difference in natural capacities, but since all of them have on an average the minimum wants to be satisfied, each must be given according to his minimum needs, if he is found to have made an honest effort to contribute his share to the total quantum of production. The value of his effort must be regarded as equal not only ethically but economically as well.

19. **Self-Sufficiency of Villages** —The primary wants of the people living in villages must be satisfied locally as far as possible. It is with this objective that village units are organized according to the planners. Decentralisation of industries is promoted in order to prevent the growth of capitalism. State Planning would be necessary not only in the matter of decentralisation of capital but also in regard to building up of economically and politically independent villages. Thus a Sarvodaya society places emphasis on the spirit of service and nobler qualities in the individual; it insists on decentralisation of industry, capital and political power, and provides free scope for the development of individual initiative. It further gives a new meaning to the theory of value and tries to build up villages on principles of self-sufficiency. Further, it pleads for simplification of life and public administration as vital parts of the organisation.

20. **Contrast with Socialism** :—As stated elsewhere, the essence of capitalistic ownership is that the owner retains all the profits of his enterprise subject to the laws of taxation governing such profits. A capitalist has freedom of enterprise and undertakes any enterprise, whether it may be socially

desirable or not. Further, he enjoys the freedom of contract also in the processes of production, modified by labour legislation. He can employ a labourer and pay him a wage determined by the laws of supply and demand. He is not in the least worried about the merit of the employee or his minimum needs of life. Thus under a capitalistic system of production, we find at one end a poverty-stricken wage-earning class in constant fear of unemployment and economic insecurity and at the other end a few rich people rolling in wealth. Political power and social status usually go with economic conditions and hence a society based on exploitation of the weak by the strong and which encourages planless production, leads to booms and depressions, imperialism and war. The socialistic remedy for the removal of these evils is the abolition of private property itself and nationalisation of instruments of production. The entire economic life of the community would under socialism be planned. Production would be guided by social necessity and not by private profit, unlike in capitalism. Economic equality would be the guiding principle and class distinction would be abolished. The process of production under socialism gives no scope for exploitation. A socialised economy would no doubt be inspired by high ideals but it must be admitted that it is not free from objections or defects which have already been referred to earlier.

21. **In what respects does Socialism differ from Sarvodaya Society**:—Though evolutionary socialists believe in the employment of peaceful means, in the re-arrangement of society, the concepts of mass production and materialistic view of human life are implicit in socialism. Sarvodaya philosophy lays emphasis on man as an ethical being, while socialism believes in economic man. Though the problem of the bread is common to both, Sarvodaya philosophy believes that human nature is composed of both spiritual and materialistic elements. Socialism wants, however, the State to take over the functions of production and distribution and thus it encourages the bureaucratisation of the machinery for the purpose, while Sarvodaya society insists on decentralisation of industry and promotion of self-sufficiency of autonomous units of the population grouped in

villages. It thus acts as a counter-check against the too much centralisation of power in the hands of the State in a socialised economy besides eliminating enormous waste implicit in the conduct of State enterprises. Socialism believes in the superiority of the State as against the individual, whereas the Sarvodaya society fosters a spirit of self-reliance and independence in the groups of people, thus giving more prominence to the individual by leaving his initiative unfettered. Under socialism a man gets according to his contribution towards the total production of consumption goods, while under Sarvodaya society each man is entitled to get according to his needs, irrespective of his contribution to the total production. The socialists maintain that true democracy is not possible without socialism, but Sarvodaya philosophy goes further than this and maintains that neither true democracy nor true socialism are realizable except in a non-violent society. "This non-violent society of the Sarvodaya pattern aims" at drawing the frontiers of the common man's world closer to him; it thus aims at localising all factors which have a bearing on the basic aspects of his life. The factors which affect his well-being must be compressed within the ken of his mental vision. Only then would he be able to govern himself and realise true democracy. As long as he has no comprehension and control of the factors which affect his life, self-government would be at best an illusion. The lack of comprehension in the common man provides temptations to ambitious individuals groups or nations to assume responsibility for his Government. The mechanical inventions which opened the frontiers for commercial and political adventures made the world mysterious for the common man. They have exposed him to unknown storms and left him more vulnerable, total apathy at one extreme or irrational enthusiasm at the other. The choice is between being governed by experts or by adventurers. The latter have preponderated. It is true that Gandhiji wants a small world for the common man, not with a view to keeping him poor and uncivilised but in order to see that he lives more and more intelligently and saves himself from the depredations of experts and adventurers who often masquarade as saviours and liberators. In the days of Marx the problem of plenty

was unsolved and he wanted plenty for the masses. Gandhiji had accepted the equalitarian values of socialism but he prefers to judge human happiness not by the quantity of goods that every one can possess—though he accepts the necessity of a very liberal minimum—but by the range of genuine freedom that everyone enjoys. He would not like to work for an abundance of goods if for acquiring the same man has to sacrifice his freedom and rationality. Political and economic freedom are not enough. Freedom and liberty lose their value if they are made the articles of presentation by well-intentioned leaders and political parties. They must form the ingredients of the very ethos of a civic existence. In Gandhiji's smaller world freedom would be sustained by the common man who would be freed from the monopolies of the intellectual aristocracy. Marx suggested socialisation of the ownership of the instruments of production to remove the cause of misery to millions of masses all over the world, and recommended their utilisation not for a private profit but in the service of the masses. The socialised economic world will still remain incomprehensible to the masses at large. Bureaucrats may take the place of self-seeking capitalists. Economically, the masses will be better off, but they will be at the mercy of a political and managerial aristocracy and, therefore, essentially unfree. They produce but only what others plan. The new masters are better, but still they are masters. The new masters will even honour them by naming the system the dictatorship of the proletariat, yet in all major political and economic decisions the masses will *receive* and not give others, will not dictate but be dictated to. Such dependence is no freedom. "In a Sarvodaya society essential goods bought and sold will be produced within a range which a common man can mentally reach, the guiding principle being the mental reach of the masses of men. They would not only produce but would also plan. Others may advise them but they would decide. They would certainly own the instruments of production, but the instruments would not be the ambitious giants of today pretending to create plenty but in fact, robbing the producer and consumer of their independence. True in a Sarvodaya society, they would produce less, but the purpose of production would be neither power nor profit. True again,

that their production prices will be less, so will be their greed to seek empires." [Vide Gandhism reconsidered by Prof. Dantwalla pp. 44-46.] Sarvodaya believes in keeping the means of production in the hands of corporations when it is essential to an industry centralised according to its nature and desires as far as possible that such corporations should be co-operative rather than State-owned or capitalistic. Both socialism and Sarvodaya aim at the minimum governance of the State, but socialism goes further and says that the political State will simply wither away when a complete economic order of the right type of communistic commonwealth is established in the world. One sees no signs of the withering away of the State as in Soviet Russia where policy is supposed to have been modelled on Marxism. On the contrary the State has become more powerful. Communism in Russia does not forbid the centralization of capital in the hands of the State nor resort to force banned for the settlement of differences in views. In this it is hardly distinguishable from other totalitarian States. With socialism, the use of force is latent in that it attaches more importance to the good of the community as against the individual. Thus it holds a threat of confiscation of property acquired beyond certain limits without the sanction of the State, while Sarvodaya develops the theory of trusteeship under which the individual is encouraged to identify his interests with those of the community and use the powers of the body and mind for the general good.

22. Sarvodaya and Co-operation :—In most of the countries of the world to-day, their economy is a composite one. Co-operation exists alongside of private and capitalistic organisations and State enterprises. With the perfection of the division of labour and specialisation of industry going on apace, the producers and the consumers tend to get wider and wider apart, resulting in a host of intermediaries in between them. Although a few links have been eliminated by co-operatives, the central core of the capitalistic economy (middlemen's economy) has hardly been touched by it. There have been ceaseless attempts going on to convert as much of the capitalistic economy as possible into co-operative one, still capitalistic economy predominates. Wherever communism or socialism has replaced

capitalism entirely, the co-operative movement is subordinated to serve its interests. Sarvodaya aims at the creation of a simple economy in which the chain from production to consumption would be short and the transformation of raw materials into finished products brought about locally, so as to serve the needs of the local people, but co-operation is not necessarily inclined in favour of this simple economy. It is also doubtful whether co-operative economy of the present age would rest content to stick to the simple standard of life so eloquently preached by Mahatmaji. Though co-operation works in the framework of capitalism, trying to correct its weakness, unlike capitalism its dominant motive is service, though apparently co-operatives do make profits as business organisations which are not profits at all in the accepted sense of the term. Since it is the consumers who are the ultimate foundation of the co-operative economy and who operate a co-operative, and they are assured that no profit would be made on transactions made with themselves. No doubt at the time of purchase of goods they pay more than the cost price, but this over-charge is finally returned to them in the form of a patronage refund. The universal application of this principle of refund to other types of co-operatives also is a testimony to the service motive rather than profit motive. In fact, co-operation eliminates the profit motive through the working of the principle of patronage refund. In Sarvodaya also the motive is not profit but service. Thus the basic assumptions of the two systems are similar. Both Sarvodaya and Co-operation give free scope to the individual to develop his personality and relegate capital to a secondary place. A complete self-surrender in the service of humanity is valued most in Sarvodaya. The more a man is endowed with power-intellectual, physical etc.—the greater is the service expected of him for the benefit of society. Hence Sarvodaya transcends the ideal of "All for each and each for all." Both Sarvodaya and Co-operation are principles of peace and believe in an evolutionary social order brought about by the dint of hard constructive work rather than by destroying society based on different ideology. The present commercial system is sought to be replaced by building up a co-operative system of production and distribution. In regard to the ownership of private property

co-operation takes its stand on the fact that private property is desirable, and that as many people as possible should have private property; whereas Sarvodaya, while recognising the institution of private property, puts a limit to the ownership of it and favours that property in excess of a certain limit should be held in trusteeship for others. The ideal of simplicity, according to the Sarvodaya philosophy, is necessary because it wants the units to be independent and hence it keeps them deliberately at a low level of material prosperity with a view to investing them with moral and spiritual independence. While co-operative units cannot work in isolation and cannot help being complex and interdependent in regard to the basic equality of the component units, both Sarvodaya and Co-operation keep company up to a point. Co-operation recognizes that all members, regardless of their shareholding, stand on equal footing in the matter of exercising their votes to influence the affairs of a society, but it recognises unequal patronage refunds dependent on the volume of business done with the society, e.g., in a co-operative consumers' society 'divi' on purchases is related to the quantity of purchases made, while in Sarvodaya minimum requirements to satisfy a member's primary wants are recognised, regardless of his contribution as compared to others, provided the member has made honest attempts to contribute to the common pool according to his capacity. Sarvodaya takes its stand on the principle that service cannot be valued in terms of material returns.

23. **Relation towards the State and Industry** :—The Commonwealth school of co-operative thought conjures up a socio-economic State built on principles of Co-operation and in which the political power of the State would be the minimum, and Sarvodaya also believes in the least government of the State and is more definite about the elimination of the power of the State. According to Sarvodaya, power evolves from bottom upwards and the basic units are the seats of power, and the higher regional bodies are to be created and delegated with powers of the basic units. Decentralisation of political power is its cardinal principle. Similarly, it advocates the decentralisation of industry and desires that big business

be socialised and worked through a corporation and, if possible, through a co-operative, wherever possible. But co-operation adapts itself to big business and is so dynamic as to work in different conditions, and that is why it is found to work as an ally of both the capitalistic and communistic states. It is found to have made progress not only under a capitalistic State but also in a communistic State like Russia. To sum up, the various points of similarity between Sarvodaya and Co-operation are as under :—

Co-operators believe in the identity of co-operative action and State action at the higher levels, provided the State does not identify itself with any private or sectional interests. Similarly, believers in the philosophy of Sarvodaya plead for the creation of harmony between the private and public sectors of economy by State action in nationalising key industries and by building up of Sarvodaya units of autonomous villages. A Sarvodaya State is sought to be created on the foundations of Sarvodaya villages at the base. Both Co-operation and Sarvodaya place the ideal of service above the benefits of material gain. Both co-operation and Sarvodaya want to maintain the independence of their component units through self-help and self-discipline. Both advocate the decentralisation of industry in order to curtail the sphere of State action to the minimum limits.

24. Sarvodaya Activities in the Bombay State :—The Government of Bombay decided in the year 1948-49 to introduce the Sarvodaya Schemes in the State, the main object of which is the achievement of an all-round intensive development—social, educational and economic—of selected compact blocks of 30 to 45 backward villages in each district of the State. These schemes aim at the development of backward areas by undertaking schemes relating to education, agricultural development, cottage industries and industries subsidiary to agriculture, health, water-supply and communications and social and cultural development including prohibition. During the year 1953-54 there were in all 29 Sarvodaya Centres working in 25 districts of the State and were in charge of 29 Sanchalaks

who have been appointed for the formulation and implementation of the schemes. From the Annual Administration Reports of the Co-operative Department in the Bombay State relating to the working of these Centres, it is seen that they have been doing useful work while trying to bring about an all-round development of backward areas by undertaking the following activities :—

(1) Opening of new schools, (2) taking over management of schools in Sarvodaya areas for better supervision, (3) conversion of primary schools into basic schools, (4) running backward class hostels for boys and girls, (5) starting of Adult Education classes for men and women, (6) introduction of spinning in schools, (7) starting of Balwadis wherever possible, (8) construction of school buildings, where the village schools have no buildings of their own, or where they are housed in dilapidated structures, (9) Vastra Swavalamban, (10) setting up of demonstration centres, (11) distribution of improved seeds and implements to the villages in the Sarvodaya areas, (12) organization of co-operative societies, particularly co-operative farming, lift irrigation and backward class housing societies, wherever feasible, (13) construction of manure pits for preparation of compost and night soil manure, (14) installation of pumping sets for irrigating the fields of the agriculturists, (15) construction of bandharas, wherever necessary, (16) development of existing cottage industries in the rural areas, viz., tanning, smithy, carpentry, brick and tiles making, bee-keeping, oil-pressing, bamboo-work, lacquer work, paddy husking, tadgul making, etc., (17) organisation of producers' co-operative societies, wherever possible, (18) undertaking poultry breeding and establishment of Goshalas to improve the local breed of cows, (19) opening up of medical centres and appointment of Vaidyas and Dais to give medical aid to the villagers, (20) keeping of medical boxes and disinfection of wells in villages, and undertaking D. D. T. spraying to eradicate the incidence of malaria, (21) digging of wells for irrigation as well as drinking water facilities, (22) construction of roads, tanks, foot bridges, etc. (23) undertaking social and cultural development.

During the year 1953-54, the total amount for which the various schemes were sanctioned was Rs. 15.11 lakhs, whereof the actual amount spent was Rs. 12.32 lakhs. The following figures indicate the expenditure incurred on the various items of development :—

(1) Education.	2.56
(2) Cottage Industries and Industries subsidiary to Agriculture.	1.33
(3) Agricultural Development.	1.73
(4) Health.	0.70
(5) Water Supply.	0.72
(6) Communications.	0.89
(7) Social and Cultural development including Prohibition.	0.44

It is being increasingly felt that the work of reconstruction and amelioration of the social and economic condition of the backward areas being indistinguishable from that done in the community development areas the Sarvodaya Centres had better be merged with the latter unless they have a special mission to perform.

CHAPTER XX

INTER-CO-OPERATIVE RELATIONS

1. **What is meant by Inter-Co-operative Relations: ?**— Co-operation adopts the principle that combination is strength and isolation is a source of weakness. Just as weak individuals form co-operative societies in order to gain in economic strength co-operative societies may also overcome weakness due to isolation by combining with others of the same type either for purposes of banking or trade or supervision, guidance and control as already mentioned elsewhere. Thus the primary societies of the same type associate in regional or national or even in international federations. The principle of unity or association has to be carried further and it is not only co-operatives of the same type that form ties of association but different types of co-operatives having complementary needs try to satisfy them through the exchange of goods and services. These exchange relations may be established between co-operative organizations having dissimilar functions as those of consumer co-operatives and agricultural marketing co-operatives, workers productive co-operatives, housing and insurance co-operatives and so on. It is to such relations that the expression 'Inter-co-operative Relations' is applied.

2. The most noticeable development of Inter-co-operative relations at all levels has been between marketing co-operative organizations of primary producers such as agriculturists, stock-breeders, fishermen and consumer co-operative organizations. The exchange of goods between organized producers on the one hand and organized consumers on the other constitutes the readily observable type of co-operative relationship which would be treated in the following paragraphs.

3. Within the co-operative movement the association of persons is merely a first stage and a further step is the federation at all levels and this federal structure brings to each society a concentration of forces without destroying the autonomy of the federating part or without impairing flexibility of the whole.

Federations formed for business purposes secure the following advantages to the federating units :—

(i) Greater purchasing power resulting in lower prices;

(ii) Greater accumulation of funds making it possible for financing other ancillary activities;

(iii) Standardizing of methods resulting in greater efficiency;

(iv) Reduction in the number of brands handled by the group of co-operatives resulting in economies.

If the co-operatives wish to apply the principle of unity and carry it a stage further, they must evolve a machinery whereby they would establish direct and systematized trading relations between organized producers and organized consumers. Such inter-co-operative relations bring to both parties and to the community at large considerable economic and social advantages.

II. Advantages of Inter-Co-operative Relationship :—(1) In the first place, such a relationship results in the simplification of the distributive process. We can conceive of marketing co-operatives undertaking distribution of goods to the ultimate individual consumer and of consumer co-operatives approaching the individual producer, but such a simplification is not always possible except in the case of a few commodities or in particular places, and it is also inadvisable because on either side the individual producer or the consumer lacks bargaining strength without association. The collective organization of producers and consumers far from constituting a loosening of the direct contact between the two parties is a necessary condition of them.

(2) Inter-co-operative relations eliminate not only the various agencies engaged in distributive trade between the primary producer and the ultimate consumer such as wholesalers, retailers, factors or brokers corresponding to the main processes of marketing, viz., assembling or collection, wholesaling or retailing, but also represent a shorter and a direct

route between the point of production and that of ultimate consumption.

(3) This simplification of the economic process results in considerable economy by eliminating numerous incidental expenses such as commission, profits, advertising charges, etc.

(4) Inter-co-operative relations lead also to a proper organization of the economic process. The forces of supply and demand are brought into direct and permanent contact with each other instead of being left to operate by circumstances of time and place. As the producers know the exact demand for commodities they produce, both quantitatively and qualitatively they can, up to a certain point, adjust their production to those needs. Similarly, buyers can control their purchases, regard being had to the possibilities and conditions of production of the commodity they need. Changes in the habits of customers or modifications in the technique or capacity of production are more quickly observable and thus bring about an equilibrium between supply and demand more smoothly and with a minimum of delay. In this way, sudden fluctuations in prices or breakdown in the produce market resulting in the worsening of the conditions of employment and standards of living are obviated. Thus speculation is held in check and the tendency is to encourage elements of orderly marketing, as supply quickly equates demand and vice versa.

(5) Inter-co-operative relations introduce moral and human considerations into the exchange of goods and services, and thus re-establish the ascendancy of the social over the economic order. Thus observes Dr. Fauquet (quoted by the I. L.O.Publication on the Co-operative Movement and Present-Day Problems at page 81) :—

"When and wherever the urban economy and, later, the commercial and capitalist economy develop, all social bonds between producers and consumers are broken, not merely by the physical distance separating the two groups, but still more by the impersonal and abstract nature of purely economic relations.

However, if inter-co-operative relations are established, elements of a moral order reappear, in varying but always appreciable degree. Throughout the co-operative chain forged by common efforts, the goods which pass along it no longer represent mere economic values, mere dehumanised commodities. Co-operators both of town and of countryside develop an awareness of the bonds uniting them. Between them is established a fellow-feeling which gradually wins acceptance for rules of equity and reciprocity in their dealings with each other and for respect of one another's conditions of life and labour. Inter-co-operative relations thus bring new life to the old moral conceptions of the "fair price" and the "fair wage." Like all co-operative development, they help to re-establish the ascendancy of the social over the economic."

III. Difficulties in regard to establishing Inter-co-operative Relations :—The progress in the development of inter-co-operative relations has not been found to be smooth even in national sphere, because of the supposed clash of interests and prejudices of sellers and buyers. These difficulties have been artificially fomented for political purposes outside the co-operative movement and internationally monopolies and varying regulations governing foreign trade have stood in the way of establishing proper inter-co-operative relations between different countries. It is no doubt true that for the development of such relations a pre-requisite is the development of each type of co-operative organization not only at the national level but also at the international level. This precondition cannot be fulfilled at once or everywhere. Fortunately for the movement, it is tending towards its own unity, as a result of which it has been possible to develop inter-co-operative relations, national as well as international, instances of which are mentioned below.

IV. Inter-co-operative Relations within Countries.

1. Great Britain:—Inter-trading has developed between the farmers co-operative marketing organizations and the retail consumer societies and the wholesale society (C. W.S.). The Co-operative Wholesale Society is reported to have purchased

in 1935 from British Agricultural Co-operatives produce worth £. 500,000. Co-operative purchase of eggs by the Wholesale and Retail Consumer Societies represented 20% of the total egg production of the co-operative marketing societies. The Herts and Beds Bacon factory is a joint undertaking run by the producers and the consumers. More than 50 per cent. of its share capital is contributed by the Wholesale Society, and the balance by farmer-members. 90 per cent. of the aggregate production of the Factory was purchased by the Co-operative Wholesale Society.

2. **Sweden** :—Sweden is the most notable example of a country where co-operative inter-trading has become quite common. The Co-operative Wholesale Society and the Co-operative Union purchase their butter supplies to the extent of 80 per cent. of the output from the Co-operative Dairies for their central organizations. In Stockholm, the Milk Central, which is a group of farmers' creameries, distributes 30 per cent. of its output representing two-thirds of the Societies supply of milk and agree to sell all its output to the Stockholm Consumers Society. An instance of a co-operative Fish joint undertaking is provided by the Swedish Co-operative Fish Marketing Society. It was set up by the Co-operative Union and the Association of West Coast Fishermen to increase fish production during World War II. It salted a very large quantity of fish not only for the Co-operative Union itself but also for the Government Food Commission. It handled trade worth 64,30,000 Swedish kronor.

V. **International Inter-Co-operative Relative Relations Within Europe** :—The two countries mentioned in the previous paragraph have been selected for giving examples of inter-co-operative relations, while transactions of an international character have been treated below on a commodity basis :—

1. **Wheat** :—During a period of thirteen years from 1923 to 1936, the English Wholesale Society obtained part of its grain requirements from the U.S.S.R. through Russo-British Grain Export Company, in which the C.W.S. and two private

firms were in partnership with Russian co-operatives and State Organizations. The C.W.S. purchased 20 per cent. of the grain handled by the Company in 1926-27.

2. **Bacon and Pork** :—The English Co-operative Wholesale Society imported in 1936 bacon worth £ 3.6 million and two-thirds of its imported suplies came from Denmark and over 65 per cent. of this quantity was derived from co-operative sources either through its own depots in Denmark or through the Danish Co-operative Bacon Trading Company. Imports of the C.W.S. of Pork from Denmark and Ireland and of mutton from Iceland represented 40 to 70 per cent. of the output of co-operatives.

3. **Eggs** :—The English Co-operative Wholesale Society used to import eggs from 20 countries, with Denmark claiming as much as half the total of the trade, 83% of which came from co-operative sources.

4. **Butter and Cheese** :—The English Co-operative Wholesale Society derived in 1932 nearly 40% of its butter imports from Denmark in normal times. Other co-operative sources of supply were Esthonia, Ireland, Netherlands and Swen.

5. **Fruit** :—The English C.W.S. obtained 20% of its raisin and fig imports from the Turkish Federation of Agricultural Co-operatives.

International Co-operative Trade relations are established sometimes through direct contacts between large national organizations or through special bodies, e.g., the International Co-operative Trading Agency was responsible for arranging for the supply of poultry and grapes from Yugoslav Agricultural Co-operatives to the Scottish Co-operative Wholesale Society in payment for the shipment of tea, coffee and spices. It took tomatoes, potatoes and oranges from the French Co-operative Society in Morocco and in return sent them tea and cocoa from the English and Scottish Joint Co-operative Wholesale Society.

VI. Inter-co-operative Relations in India:—In the absence of strong federations undertaking production, distribution,

marketing and supply, the question of inter-co-operative relations has not assumed as much importance in India as it has done elsewhere. The only federations that have been organized are those working in the fields of banking and co-operative education and training. If the co-operative movement is to develop on right lines, co-operators will have to devote their attention to develop inter-co-operative relations not only within a State but also on an All-India basis. Agricultural marketing and supply societies can be brought into co-operative relationship with consumers societies, and agricultural marketing and multi-purpose and credit societies should also partly function as consumer societies, distributing consumer goods either to the societies or their members. These societies can also maintain contact with producers societies in rural areas which produce consumer goods.

VII. Nature of Inter-co-operative Relationship :—Inter-co-operative relations may assume the following forms :—

1. Jointly managed undertaking or Co-partnership :—These visualise participation by one of few societies or federations of one type in capital formations, management and sharing of profits of other types of societies or federations. Such joint undertakings in their purest form are established, financed and managed jointly by the producers and consumers organizations having equal rights and equal obligations in regard to them, These Co-operative undertakings formed both in the national and the international field differ appreciably in their purposes and structure. Instances are provided by the meat trade between England and Denmark and the wheat trade (vide Russo-British Grain Export Company, referred to earlier in this chapter).

2. Contractual Relationship :—Long-term contracts or special agreements may exist between producers' and consumers' organizations as to quantities of goods to be delivered or purchased or as to grading according to variety or quality, or as to procedure for fixing prices. The idea underlying such contracts or special agreements is to provide a stable basis for the development of business relations during a given period of time.

3. **Organizational Contacts:**—Such contacts can be established by making provision in the byelaws of the societies concerned promoting mutual understanding and exchange of views. One such simple form of contact can be mutual representation of societies on the boards of their management, e.g., an apex marketing co-operative may provide one or two seats on its board of directors for representatives of industrial co-operative association at the State level and vice versa. Similar arrangements can be evolved between the federation of consumer societies and agricultural marketing and supply societies or industrial associations at the regional or the district level and between primary societies of different types at the primary level.

4. **Informal Contacts** :—In fact, this is the first step towards establishing permanent co-operative relationship as between societies. *Ad hoc* committees can be appointed by two or more different types of societies in order to be able to meet from time to time and discuss subjects of mutual benefit and common interest. The discussions of such committees can later be considered and acted upon. Further, the scope of the broad-based agricultural credit and multi-purpose societies may be widened so as to undertake activities connected with production and distribution in addition to their ordinary business of providing credit facilities to their members, e.g., a multi-purpose society should undertake the work of distribution of consumer goods and supply of resources to artisans in addition to the supply of finance and of agricultural requisites to its members. Thus the goods produced locally can be sold to members. It may be argued that such inter-co-operative relations are difficult to bring about because of the clash of interests between producers and consumers or between borrowers and lenders and even if established, their opposing interests might come in the way of their smooth working. This argument does no doubt contain some element of truth in it, as there is a possibility of some conflict arising in every type of society, the moment it takes to different types of activities mentioned above. But the spirit of mutual goodwill and amity and the principles of equity which animate the co-operative movement should be an adequate solvent for the elements of conflict that

exist or arise between different types of societies. Such conflicts have been resolved amicably in some countries and the experience so far gained has no doubt been encouraging.

5. **General** :—The development of inter-co-operative relationships received particular attention at the International Co-operative Conference held in London in 1943 under the auspices of the International Co-operative Alliance. A resolution was adopted "emphasising that collaboration between consumers and agricultural co-operative organizations is of particular importance in view of the great problems of rehabilitation with which the movement would be confronted after the War and recommending that the basis for collaboration must be the conception of the co-operative movement in all its ramifications as an economic and spiritual whole and the recognition that mutual understanding and unity of purpose are indispensable to successful co-operative action; and while recognizing that the concrete shape of the relationship between co-operative organizations could vary from country to country according to conditions in each—economic, social, legal, political, etc.—the Conference recommended that a definite division of functions of consumers and agricultural producers' societies must be agreed upon and, wherever possible, a jointly administered organization established as a firm foundation for collaboration."

Efforts at establishing international co-operative training may be retarded by the action of the State in a period of governmental control of foreign trade and in a planned economy, fixing quotas and adopting similar other measures impeding the free flow of goods as between countries; laws hindering such co-operative development at the international level may be repealed or annulled, but in the meantime, the better these co-operative developments are made known and implications understood, the more chances there are of their receiving legal and administrative encouragement as international co-operative trade is after all a modern form of barter making governmental credits or advances unnecessary.

II. International Co-operative Alliance : 1. Why Inter-

national Co-operation ?—Co-operation is an attempt on the part of the people to maintain their standards of living and economic freedom which are threatened by the development of capitalistic organizations both in the national and international spheres, as they solely aim at business profits. Co-operation once started grows without limit in a number of ways and this growth is facilitated when there exists a sufficient number of societies to set up a federation for common purpose. Such federations begin in the first instance by serving a particular region and then they develop into national organizations. Such national organizations formed for purposes of trade feel compelled to engage in international trade. Thus the C.W.S. in England formed mainly for the purpose of finding consumer goods for British co-operatives had to develop contacts by establishing depots or agencies in other parts of the world. Similarly, other wholesale societies have followed suit. National organizations cannot confine their activities mainly within national frontiers. Thus when once the need is felt for extending their activities beyond their national borders, their normal development would be for them to unite in an international organization, if they are to avoid competition amongst themselves. International co-operation in the sense of pursuit of common policy, joint collaboration and action by co-operatives of different countries is a later phase of co-operative development. The idea that co-operatives can transcend the borders of nationality, race, creed, colour, etc., was present in the minds of pioneers of the co-operative movement like the Owenites and English Christian socialists. Co-operatives of different countries had some sort of exchange of ideas amongst themselves and this fact is clear from the report of the British Congress, held as early as 1869. In 1886, the Congress held at Plymouth was attended by a delegate representing the French co-operative movement in the person of Edourd de Boyvc, who made definite proposals for the constitution of an Alliance between the British and the French movements, which ultimately led to the formation of the International Co-operative Alliance. The appointment of a Committee was suggested at Manchester which would correspond with the co-operative bodies in other countries and apply co-operative principles for the settlement of labour

troubles, and would induce them to have mutual consultation and representation at each others's congresses. Owing to the refusal of support on the part of the British Co-operative Union, the proposal could not materialise; when once the advocates of the Co-operative Alliance realized that insistence on profit-sharing as an essential co-operative principle came in their way of gaining the support for the idea of international co-operation from many co-operative bodies, it had to be given up. This facilitated the extension of support of the British Co-operative Union and with its support it was possible to hold the first International Co-operative Congress in 1895, and thus the International Co-operative Alliance was born. It was a first successful attempt to unite the national co-operative institutions of different countries in the International Union. The first task of the founders and leaders of the Alliance was to secure the support of as many co-operative institutions as possible. For a few years after its inception it continued admitting individual members and after Mr. Henry Wolff joined the Alliance as President, it was possible by his ceaseless efforts and personal contacts to enlist the support of as large a number of important co-operative bodies of all types as possible. In 1902 an amendment to the constitution was passed at the Manchester Congress whereby admissions to individual members were closed making the Congress merely a body of representatives of co-operative institutions who would give expression to the ideas held by these bodies. The consumers' co-operative movement was naturally a dominant factor in the Alliance at that time because of the predominance of co-operative consumers' movement in the world. In 1912, the first Year Book of International Co-operation was published. The outbreak of the first World War brought about a suspension of many of the activities hitherto undertaken by the Alliance. The Alliance had begun publishing also a monthly bulletin in 1908 in three languages—English, French and German—and the French and German editions ceased publication. In 1920, the representatives of the co-operative movement of neutral countries joined with the representatives of co-operatives in countries in alliance with Britain, and this facilitated the holding of the first meeting of the whole Central Committee, after the war at the Hague

in October of that year. The first Congress after the War was held at Basle in August 1921 in totally different circumstances. The co-operative movement had emerged the stronger in membership and financial resources and had gained considerable popular support. New problems had cropped up in the new States formed out of the old Austrian and Russian Empires giving rise to new co-operative organizations in the young States. The breakdown of capitalistic activities in the international field, though temporary, gave scope for the co-operators to develop their commercial connections. The Basle Congress, therefore, held as it was after the lapse of five years marked the beginning of a new era in international co-operation. The constitution of the Alliance again underwent another modification whereby the Executive became truly an international organization. The possibilities of starting an International Co-operative Wholesale Society and of reviving international trade as also of the attitude to be adopted towards world economic problems were discussed.

2. **Membership of the Alliance and its Constitution :—** Four types of co-operative bodies are admitted as members of the Alliance: (1) National Unions and Federations of Co-operative Societies, (2) Regional Federations, (3) Primary Co-operative Societies and (4) National Auxiliary Bodies, e.g., Men and Women's Guilds. Its membership in 1929 comprised 206 National or Regional Co-operative organizations in 40 different countries. In 1947, what the I. C. A. consisted of is given in the following statistics :—

(1) Countries comprised in the membership of the I. C. A.	**Europe :** Austrilia, Belgium, Bulgaria, Czechoslovakia, Denmark, Finland, France, Great Britain, Greece, Holland, Hungary, Iceland, Italy, Norway, Poland, Rumania, Sweden, Switzerland, U.S.S.R., Yugoslavia. **America :** Canada, U. S. A., Argentina, Asia, China, India and Palestine. **Others :** Australia, South Africa.

(2) Various types of Co-operative bodies comprised in membership.	Consumer societies.	27 countries
	Wholesale organizations.	24 countries
	Workers' Productive Socys. and Labour and Artisanal societies.	11 countries
	Federal Production Societies	5 countries
	Agricultural Societies	17 countries
	Insurance	15 countries
	Banks and Credit	17 countries

(3) Number of societies of various types and membership.	Consumer societies	52,700	60,200°
	Worker's Productive Socys.	28,000	36,000°
	Labour and Arti.-Socys.	4,700	570°
	Agricultural	2,11,800	24,850°
	Credit	82,600	7,615°
	Building and Housing	1,200	125°
	Miscellaneous	1,000	140°

N.B. :—These figures of Membership are in thousands.

N.B. :—These figures are taken from "The Place of Co-operation in World Economy" by Odhe.

These statistics indicate that while in its early years the Alliance was predominantly a consumers' organization, it has become, during the past quarter of a century, more and more representative of all types of co-operative bodies as a result of the efforts made by co-operative leaders, in this direction. Before a co-operative organization is admitted to membership, the Alliance insists that the object of the organization should be the economic and social benefit of its members and that in actual practice it translates the principles embodied in the Rules of the Alliance. In the case of consumer co-operatives, what is essential is that the organization should observe Rochdale principles before being admitted to membership.

3. **The Constitution of the Alliance** :—The supreme authority of the Alliance is vested in the Congress of Delegates

of affiliated organizations throughout the world. The Congress meets once in three years. In the intervals between the two Congresses, a central Committee which is representative of national organizations is set up and this Central Committee meets once in every twelve months and elects from among its members a President and two Vice-Presidents immediately after the Congress is held. The President presides at Congresses and all the meetings of the Central and Executive Committees. The Executive Committee consists of the President and two Vice-Presidents and other members of the Central Committee, who are also elected immediately after each Congress. The Executive Committee normally meets once a quarter. The decision of the Congress and the Central and the Executive Committees are carried out by the General Secretary, who also directs the activities of the Alliance.

4. **The duties of the Alliance** :—The basis of the International Co-operative Alliance is the conception of co-operation as a universal social idea and as an international movement for promoting economic democracy. Again, the I.C.A. is a living embodiment of national co-operative movements having common interests which require to be defended by common action and international solidarity. Viewed in this light, the practical duties of the Alliance would be :—

(1) to develop co-operation by education and propaganda;

(2) to hold exhibitions of co-operative productions;

(3) to assist the common interests of the co-operative movement;

(4) to promote international co-operative production and trading with a view to reconstructing the International exchange of goods generally and to restore its freedom and to encourage international banking;

(5) to publish books and pamphlets dealing with all economic problems including co-operation;

(6) to collect the statistics in regard to the development of the co-operative movement;

(7) to establish at its headquarters a prominent library and a Press Exchange for news and literature;

(8) to enter into relations with international bodies such as the International Federation of Trade Unions, International Labour Organization etc.;

(9) to focus the will and intelligence of co-operators so as to make their influence felt in world affairs; and

(10) generally to weld the scattered co-operative movements of the world into a coherent whole.

5. **Activities of the Alliance** :—The achievements of the Alliance in its endeavours to promote international co-operative banking, trade and insurance are worthy of note. Despite its slender financial resources, it has carried out important programmes of work. Its record even in spheres other than economic is not less noteworthy. To the Alliance goes the credit of instituting in 1923 the Annual Festival—International Co- operators' Day—which is being celebrated annually on an increasing scale by co-operative organizations all over the world. It has secured the adoption by co-operators of the Rainbow as a common symbol. It has also designed a badge which co-operators throughout the world can adopt. In 1929 it took over from the British Co-operative Union the organization of Annual International Co-operative School. It has established its own International News Service of Co-operation and Economic Information, and has been publishing the Review of International Co-operation. It is collaborating with I.L.O. in the collection of co-operative statistics and has published useful reports on economic questions of interest to co-operators such as State and Municipal Trading, etc. In the year 1927, the Alliance was represented at the International Economic Conference through its Secretary and several members of the Central Committee, and as a result of their powerful advocacy, the statesmen, economists and businessmen assembled had to admit that the co-operative movement had become a world force and offered solution to many problems of agriculture and distribution. Through the good offices of the General Secretary, the Co-operative Wheat Pools of Canada joined the Alliance in 1930. Thus the importance of the service rendered by the Alliance to the cause of co-operation lies in the fact that one of the most urgent problems of the co-operative movement,

viz. the establishment of mutually helpful relations between the consumer and the producer has been solved.

6. **Sources of Income of the Alliance** :—The chief source of income of the Alliance is subscription received from its affiliated organizations. The Alliance derives a small sum by way of income by the sale of its publications. The subscriptions payable by the affiliated organizations are fixed at various rates based on the type of the organization and its size. The minimum subscription for national organizations, whether they be Federations, Unions or auxiliaries is £ 20 sterling per annum. Co-operative societies have to pay subscriptions on a sliding scale ranging from £1–1 S. for those with less than one thousand members to £10 for those with a membership of above 200,000. In certain countries excluding Britain co-operatives pay a collective subscription not only from themselves but also for their affiliated societies varying according to membership for each of their affiliated societies.

CHAPTER XXI

CO-OPERATION AND TAXATION

What is a tax? "A tax is a compulsory contribution of the wealth of a person or a body of persons for the service of public powers." Any sound system of taxation has to satisfy certain well accepted principles of finance and it should generally be such as to satisfy the canons of equity, certainty, convenience, economy productivity, elasticity and simplicity. A system of taxation must neither discourage production nor stifle the incentive to work and save. If on account of inequitable taxes, distribution of wealth becomes more uneasy, the economic and social progress of the community would be retarded. Taxation is also utilised in a modern State to redress the inequalities of the distribution of wealth in the existing society, though the main object of taxation is and ought to be to get revenue or income. A sound system of taxation should possess generally the following attributes :—

(1) Taxes should yield sufficient revenue to meet the needs of a progressive State and the cost of collection should not be expensive.

(2) Taxes should be based on the ability to pay, the taxes being reasonably elastic.

(3) Taxes should be defined by law, their basis made known and the manner, method and time of payment being made certain.

(4) Taxes imposed should not adversely affect the productive efficiency of the economic organisation.

(5) The taxation system should be progressive and taxes should be collected with the least inconvenience to the payer.

2. **Liability of Co-operatives to Taxation** :– In his article on "Taxation of Co-operatives" in the Year Book of Agricultural Co-operation, 1950, Mr. Tracy points out that there is no uniformity followed by the States in dealing with the different types of co-operatives in regard to taxation. He further adds that many countries grant certain types of co-operatives com-

plete exemption from taxation for a given number of years, while others allow them to pay at a reduced rate. Yet others again enjoy no privileges in this respect. Privileges also vary in kind and value from country to country. In England co-operative societies are, along with joint-stock banks, liable to taxation under all schedules, but the tax is not deducted at the source and members are required to state the amount received on their holdings of shares and loan capital. Co-operative societies in England were until the year 1933 exempt from tax on income arising from interest, dividends and business profits, but were liable to pay tax on their income from land and buildings. From their very inception, co-operative societies in England which are mostly stores, have been recognised as enterprises for mutual trading. The Royal Commission on Income-tax in England, which went into the question of liability of co-operatives to taxation, was not unanimous in regard to taxation of certain items of income, e.g., they pointed out that payments of tax on income from land and buildings of co-operative societies were illogical. They stated : "There is a curious anomaly in this position. If a co-operative society invests its surplus funds in War loans, e.g., the resultant income is exempted from tax, but if it invests funds in acquiring property, the society is liable to pay tax either on the basis of rents received or on the annual value of the premises, if they are occupied by the society. There appears to be no sound reason for differentiating between reserves invested in property and reserves invested in War loans, and we recommend that the income derived from invested reserves should, irrespective of the particular mode of investment, be subject to tax. The Commission also distinguishd between distributed and undistributed profits and it recommended that undistributed reserves be charged to income-tax. Disagreeing with the views of the majority, the minority of the Commission stated in their Report of Dissent : "In our opinion, the proceeds of mutual trade are not profits in any sense of the groups of individuals among whom the trade is carried on. They are no more profits than the payments to a club by its members are profits. The Majority Report implies that the question whether or not the receipts of a co-operative society constitute a profit depends not on the

origin of their receipts but on the use to which they are put. This test is not employed as regards any other class of receipts and we cannot agree that it can be properly applied with regard to this particular class of receipts." Two other members of the Commission, while concurring with the view that receipts arising from mutual trading are not taxable profits, whether such profits were distributed or put to reserves, were of the opinion that taxation of such profits amounted to the introduction of discriminating legislation. They further suggested that co-operative societies should themselves come forward and make proposals for an equitable levy on their transactions, because in their opinion with a gradual capture of private trade by the co-operatives, the taxable income would diminish gradually and the State would consequently get a small amount of tax. Two other members of the Commission also pointed out that "mutuality" which was noticeable as a strong feature of co-operatives in the earlier stages of their working tended to be so slight and remote and of so little significance that co-operatives could hardly be distinguishable from other corporations and hence they recommended that tax should be levied on undistributed surplus and put to reserves. This recommendation was made while concurring with the view that surpluses distributed among members should be exempted from tax, because the majority of the members of such co-operatives have generally incomes below the taxable limit. In the year 1932, the Chancellor of the Exchequer appointed a three-man Committee to go into the question of liability of co-operatives to taxation, and this Committee recommended the taxation of reserves. The Chancellor accepting the findings of this Committee, levied a tax on co-operative reserves in the Finance Act of 1933. It may be noted in this connection that there is one consideration which appears to have escaped attention of both the Royal Commission and Governmental Commission. The Joint-Stock Companies and Co-operatives are poles apart in regard to the effect of such reserves on their working. The amounts put to reserves in the joint-stock concern influence the price of shares and if the shares are sold at a higher level, the difference would amount to increased income of the shareholder, while in a co-operative store, such reserves do not in-

crease the price of the shares, nor are the shares quoted on the stock exchange, nor are such shares transferable except to a member. Again, restrictions are also imposed on the amount of individual shareholding. Thus there is no comparison between the amounts set aside for reserves in a capitalistic concern and a co-operative enterprise. In regard to the disappearance of the element of mutuality which is sought to be made the basis for taxation, it might be pointed out that though the bigger retail societies and the wholesales are so large as to be impersonal, there is no gain-saying the fact that their transactions are carried on principles of mutuality.

The above extract from the Report of the Royal Commission on Income tax will show how an unjustified distinction is sought to be made in England between distributed and undistributed surplus of co-operatives and how co-operatives are put on par with Corporations in the matter of taxation. Co-operatives, it may be noted, are facing their own taxation problems everywhere and the trend appears to be towards gradual curtailment of certain concessions granted to them. There is also the lurking fear that if the co-operatives were to replace private trade altogether and still continue to enjoy exemption from taxation, the State would have less and less taxable income and hence the reluctance to see the matter in its true perspective. The application of Taxation laws to genuine co-operatives involves a matter of principle and taxation of 'profits' made by a co-operative essentially ignores the basic difference between the private capitalistic business and bona-fide co-operative business. From the point of view of taxation these fundamental points of difference are vital.

3. **The Service Motive versus the Profit Motive** :—It has already been mentioned in an earlier chapter that an economic or business organization may be of various types; it may be a private individual business or a proprietary firm or a capitalistic joint-stock concern or a co-operative enterprise. In an ordinary type of private enterprise there would be ordinarily three parties, viz., the owner, the consumers and the employees. A private business is motivated by considerations of profit,

regardless of its size. The difference between the cost price and the market price constitutes its profit. The main object of the enterprise is profit-seeking and profit may be secured either by increasing the price or by decreasing the cost. If such differential or margin between cost price and selling price diminishes or dwindles or is reduced to zero, the enterprise itself would disappear. The profit earned by it does neither go to the consumers nor to the employees, but to the owners or proprietors of the enterprise by way of a return on the capital invested in it. Such is not the case, however, with co-operative business. In Store Societies organized on the Rochdale Plan, a part of the profits is distributed amongst the members as a dividend on the amount of purchases made by them. This is refund on patronage business. In the case of the co-operative store, the buyer of the goods or services is the patron and profits are distributed in proportion to the amount of business done with the society. The principle underlying such refund is clear and what confusion exists in this matter arises from the use of the words 'Profits' and 'Dividend'. A co-operative, it may be noted, aims at rendering services to the member at actual cost of those services and business prudence requires that some provision should be made for unforeseen contingencies and hence members are called upon to pay something more than the actual cost of service. Co-operative stores usually sell goods at market prices because of the convenience such selling affords and of the avoidance of undue competition from private interests. If the cost price of goods could be ascertained with exactitude, co-operative store societies would be in a position to sell at cost price and would in that event have no patronage refunds to make. The aggregate rebate or refund on purchases cannot be called profits in the accepted sense of the term, as it would be tantamount to saying that the members in their corporate capacity would make profits out of themselves by over-charging themselves. The taxation of these over-charges in a co-operative store society is, therefore, due to a failure to distinguish a co-operative from a private or a capitalistic business, and would in substance, amount to a levy on services rendered by co-operatives to themselves. There are other points of difference as well between a co-operative

and a private or a capitalistic business, which justifies the exemption from tax being granted to the profits of co-operatives. Firstly, in regard to the role of capital, it may be stated that in a capitalistic business it has a controlling influence in its affairs and is utilised mainly to derive monetary benefit, and if neither of these conditions is fulfilled, the investor would try to sell the stock, while in a co-operative concern capital is not entitled to claim more than a fair wage. A co-operative is essentially a union of persons and hence capital plays a subordinate role and money is invested in a co-operative for the purpose of providing the funds necessary to carry on the business. Besides, the shares in a co-operative business, unlike the shares of joint-stock companies, do not appreciate in value and are not quoted on the stock exchange and yield only a limited return. To put it shortly, share capital is the master in a capitalistic business, while it is a servant in a co-operative. Again, co-operatives cannot be treated as joint-stock companies are, from the point of view of taxation, as they remain essentially associations of persons throughout their existence. Co-operatives are no doubt corporate bodies, i.e., artificial persons created by law just as companies are and essentially distinct from the members composing them. But they cannot make profits or derive income while dealing with their members unlike in a joint-stock company. The income derived by the co-operatives from their members does not, therefore, represent real profits. The same principle also holds good in the case of co-operative producers' sale societies, as the patronage dividend does not constitute corporate income. As distinct from private or joint-stock enterprises, the patronage refund, i.e., bonus on sales, arises in the case of these societies mainly because of the economy practised in providing various marketing services to their members such as assembling, grading, pooling, processing, transporting and storing, and if the various services provided are charged for at market rates, the patronage refund would simply vanish. Members of marketing co-operatives would, in the ordinary course, if they are liable to tax, be paying income tax on the patronage dividends received from these societies and on dividends on share capital invested in them, and if the corporate profits of such

co-operatives were taxed, it would mean that members would be paying two taxes, one indirectly and the other directly.

4. **Do the Co-operatives enjoy Preferential Treatment at the Expense of the Private or Capitalistic Business?** An argument is put forward by capitalistic interests who favour the taxation of business profits of co-operatives on the ground that co-operatives enjoy preferential treatment in the matter of taxation and thus favouritism is shown to them by the State. It is further pointed out that the State Governments extending concessions and privileges to co-operatives stand to lose considerable sums in revenues. With the gradual expansion of untaxed co-operative business, it is further pointed out that the burden would mainly fall on the capitalistic business only. To this the co-operatives reply by saying that it is true that some Governments have taken interest in the promotion and development of co-operative enterprises, but point out that if the help which is extended to co-operatives were compared to that received by the profit business itself, it would certainly be held negligible. It is also mentioned that a host of laws are enacted by the States with a view to promoting and developing capitalistic business. They further point out that laws regulating bankruptcy, monopoly, imports and tariffs, and laws checking unfair competition and the like operate mainly for the benefit of capitalistic business. Besides legislative protection, it is added that the States promote export trade through the appointment of Trade Commissioners and the extension of the Commercial Intelligence Service and advertisement in foreign countries. Such laws which have the effect of promoting capitalistic business are of little or no use to co-operatives which do not stand in need of such protection, because of the nature of their undertaking. Again, in regard to the objection, that the revenues of the State would fall if co-operatives are allowed to grow without paying income and profit taxes, it is pointed out that the co-operatives have been paying all sorts of taxes, property taxes or sales taxes, at the same rates as a profit business is paying, and co-operatives do not intend evading taxes. Further it is argued that it is not a question of not desiring to pay the legitimate taxes but it is a matter of non existence of the

pay the legitimate taxes but it is the matter of non-existence of the income itself or the profits on which taxes are imposed. What the co-operatives claim is that they should not be made to pay taxes on income or profits that do not exist at all. This has taxes on income or profits that do not exist at all. This has been the stand taken by the co-operative movement from its very inception. If, however, there are savings because the profits of co-operatives go untaxed, such savings, it is pointed out, are utilised in various social services being provided to the members by the co-operatives independently of the State. Co-operatives spend considerable sums on co-operative medicine, health insurance, recreation and educational facilities and many other social amenities. Thus the co-operatives make the individual less and less dependent on the State for the provision of social services and help. To the extent that these social services and amenities undertaken by co-operatives expand, the less would be the liability of the State to provide and spend on such services. Thus the reduction of the income of the State would be counteracted by the liability to spend less. It is better that the masses should be reached through their own accredited representative organisations for the provision of such amenities rather than through the impersonal machinery of the State. Further, the amounts at the disposal of the State for expenditure on such services would be reduced by the amount of expenditure involved in the collection of taxes which would not be the case in the case of a co-operative. Thus the capitalistic interests need not be worried or afraid that with the expansion of co-operative business enjoying exemption from taxation, they would be called upon to bear the brunt of the burden of taxes.

Another question that is posed in this connection is whether co-operatives can compete on equal terms with capitalistic business in so far as taxation is concerned. Taking into consideration all the circumstances in which co-operatives find themselves, the reply to this question is that co-operatives are certainly in a disadvantageous position because of their nature, the motive and method of operation and the ideals they stand for. In the first place, what weakens the position of co-operatives in their competition with profit business is that they are not merely

business organizations but in doing business they are inspired by certain ideals. It is this position that prevents them from resorting to many questionable methods which are open to capitalistic businesses to follow. In so far as a co-operative society is concerned, the practices can be considered to be virtues no doubt but these virtues become weaknesses from a short-term business point of view, particularly while competing with profit business. Again, when a co-operative is established, it has to operate in an atmosphere which is favourable for institutions started with profit motive rather than with service motive, e.g., a co-operative has to deal with a number of manufacturers, wholesalers, insurance companies and banks and other institutions, all of which live on profit motive. In short, a co-operative is surrounded so to say on all sides by a profit-seeking world. Thus a co-operative is certainly in an inferior position while competing with profit business. In fact, its position becomes somewhat embarrassing in a world where neither its motives nor its methods of operation nor the ideals it stands for are appreciated to any extent. As has already been repeatedly made clear, service is the final end in a co-operative enterprise, while in a capitalistic business service is only a means to an end, that end being profit. It is in respect of the various means employed towards the attainment of that end that we find the greatest abuses of the capitalistic system to correct which the State action is frequently invoked. Thus securities of the nature referred to in Section 8 of the Income ly different footing, because their competitive action is different in motive, method of operation and the final result.

II. Co-operatives in India and their Liability to Taxation under the Indian Income-tax Act :—Under Section 33 (A) of the Bombay Co-operatives Societies Act (corresponding to Section 28 (1) of the All India Co-operative Societies Act, II of 1912), the Central Government, by Notification in the Official Gazette in the case of any co-operative society or class of societies may remit the incometax or super-tax payable in respect of profits of the society or of the dividends or other payments received by the members of such society on account of profits or in respect of interest on securities held by the society.

Accordingly, under the Government of India Notification, Finance Department, dated 25th May 1925 as amended by subsequent Notifications, dated 25th June 1927 and 20th October, 1934, respectively, exemption was granted to co-operative societies in the following terms in virtue of powers conferred upon it under Section 60 (1) of the Indian Income-Tax Act :—

"The profits of any co-operative society other than the Sanikatta Salt-Owners' Society in the Bombay Presidency for the time being registered under the Co-operative Societies Act, II of 1912 or the Madras Co-operative Societies Act VI of 1932, or the dividend or other payments received by the members of any such society out of any profits, are exempted from income-tax. Under the Indian Finance Act of 1951, Co-operative Societies have to pay super-tax and surcharge at the following rates :—

(1) On the first 25,000 of total income, no super-tax and no surcharge.

(2) On the balance of the total income 2½ annas in a rupee of super-tax and surcharge at 3 pies in the rupee.

It may be noted that the exemption referred to above, does not extend to income, profits or gains from investments in (a) securities of the nature referred to in Section 8 of the Indian tax Act or (b) property of the nature referred to in Section 9 of the Act or (c) dividends or (d) other sources of income referred to in Section 12 of the Income-tax Act, as they are not regarded as profits in the strict sense of the word as used in the Act but as income. The above Notification consists of two parts, viz., (1) Profits, (2) Dividends and other payments received by members. From a detailed discussion that has already taken place in regard to the nature of profits in a co-operative society, it must have been clear that there is no such thing as profits in the transactions of societies in the commercial sense of the word. After allowing a fair interest to capital the balance of the surplus in a co-operative society is regarded as the result of over-charging their members for services ren-

dered and this surplus is returned to members as a rebate on purchases or as a bonus on the value of the goods sold through the society or as a bonus on wages according to the nature of the society. Though transactions with non-members destroy the element of mutuality, co-operators argue that their sole aim is the achievement of the public good and hence the public should not be excluded from participation. It is admitted that co-operatives should not make profits from dealing with non-members and at the same time debar them from membership. If the Co-operative Store Societies in England limit the number of their members, they make themselves liable to income-tax. That is one of the reasons why they adhere to the old principle of open membership and see that their share list is never closed. Under the Indian Co-operative Law, Government have also the power to make rules preventing co-operative societies from becoming close corporations. The true co-operative society must be open to all who have the requisite qualification for membership. During the War-time and sometime thereafter, many co-operatives in this country were entrusted with the distribution of controlled and rationed commodities in short supply, and one of the conditions attaching to the grant of permission to do such business was the supply of commodities to non-members as well. The question of taxing the income derived from dealings with non-members in co-operative societies has been engaging the attention of the Income tax authorities in India, and it is rightly argued by them that dealings with non-members are not co-operative business. But the main difficulty arises while considering the liability of the income derived from business with nominal members for purposes of taxation. Because the nominal membership is a device which is resorted to for certain purposes of the Co-operative Societies Act and such nominal members stand mid-way between members and non-members. Whether the dealings with such members should be considered as a business which is not mutual is open to doubt. The payment to members of a part of profits arising from transactions with non-members cannot, however, be justified as a co-operative practice. The question, therefore, arises whether a co-operative society can be free to have dealings with non-members and can still claim

to be co-operative. Of course, there are ways of dealing with the problems of non-members in a co-operative society, so that the latter can retain its full co-operative character. One is to make an outright payment of all the savings effected on dealings with non-members, but this results in injustice to the members who have to bear all the risks of the venture, and another is to pay a part of the profit derived to the non-members and convert the remainder into shares. Yet a third alternative would be to use up such profits in providing educational and social amenities for the benefit of the community as a whole. The second part of the Notification exempting dividends or other payments received by the members of co-operative societies on account of profits is simply an act of grace on the part of the Indian Government. Such payments are liable to tax in England. The cost of Government of this exemption was perhaps considered as trifling, because most of the members of co-operative societies who enjoyed the privilege of exemption from tax were men with modest means whose income was considered to be below the taxable limit. The Government of India did not, however, intend that the exemption should be permanent and that is why the privilege was confined to societies which submitted to registration. Power was also taken to withdraw this exemption under the provisions of Section 46 of the Act II of 1912, from any registered society, if it was found that the privilege had been abused. It has already been mentioned earlier, that profits of co-operative societies have been exempted under a Notification issued by the Government of India under Section 60(1) of the Indian Income-tax Act, and an explanation was added later to that notification which is as under:—

Explanation :—For this purpose, the profits of a co-operative society shall not be deemed to include any income, profits or gains from (1) investments in securities of the nature referred to under Section 8 of the Indian Income-tax Act or property of the nature referred to in Section 9 of the Act, (2) dividends, (3) other sources of income referred to in Section 12 of the Indian Income-tax Act. The first part of the notification, it would be noticed, exempts all profits of a co-operative society

from whatever sources derived. But lest the general wording be taken undue advantage of, an explanation has been added to the effect that the three particular catagories of income mentioned therein shall not be exempted from tax. Since co-operative societies are mutual trading or business associations, having dealings with their own members, it is supposed that no such income can arise from such transactions, as a person cannot be considered to make a profit out of himself. Applying this principle of mutuality, these three catagories of income are sought to be taxed since they do not arise out of mutuality between a society and its members. While the profits of a society are exempted from tax, losses arising from business are not excluded, i.e., losses are allowed to be set off against other heads of income under Section 6 of the Act. Thus co-operative societies enjoy double benefit. The dividends of co-operative societies do not fall within the normal or artificial definition of the word 'dividend' under the Act, and hence they are not required to be returned gross by the recipient. These dividends are exempt both from income-tax and super-tax, but they are required to be returned as part of the total income to determine the rate of tax by an assessee. From the point of view of liability to taxation under the Indian Income-tax Law, co-operative societies or banks stand in a more advantageous position, as compared with joint-stock banking companies in respects mentioned below :—

(1) A co-operative bank is taxed as an association of individuals while a Bank is taxed as a company.

(2) A co-operative bank being an association of individuals is liable to be taxed on a graduated scale of income-tax applicable to an association of individuals and a flat rate of super-tax at the rate of annas 2 and 9 pies in a rupee after the initial exemption of Rs. 25,000/-. A banking company being a company is liable to be taxed at the maximum rate of income-tax, viz., annas 5 in a rupee plus 5 per cent, surcharge and a flat rate of super-tax at annas 2 and 9 pies in a rupee on the whole of its income without any statutory exemption both for income-tax and super-tax.

(3) A co-operative bank's profit below Rs. 3,600/- is exempt. A banking company has no minimum exemption limit.

(4) A co-operative bank's profit from business is wholly exempted under a notification issued under Section 60. The only profits liable to tax are income of the nature liable to be taxed under Section 8, Section 9 and Section 12. A banking company's profits are liable to be taxed under all the heads of income under Section 6.

(5) The total income of a Co-operative society includes the exempted income from business, although not liable to income-tax and super-tax. The total income of a bank includes all sources liable to tax. Thus its total income and taxable income are more or less synonymous; in the case of a co-operative bank it is not so.

(6) A co-operative bank is allowed to set off a loss from business like any other bank, although its profit is exempted from tax. It can also carry forward loss under Section 24((2) to be set off against profit made in the subsequent years.

(7) A co-operative bank's dividend is not required to be grossed up for rate purposes, nor is it subjected to tax, as it is exempted under a notification.

(8) A co-operative bank's debentures are not treated as securities under Section 8 with the result that no income-tax can be deducted by the bank while paying interest thereon. A bank is bound to deduct income-tax on the interest paid on debentures.

(9) The artificial definition of dividend under S. 2 (6A) does not apply to co-operative banks, nor does the Section 23 A relating to compulsory distribution of its profits apply as in case of an assessee which is a company in which public are not substantially interested.

(10) Aggregate liability to tax is, therefore, greater on a bank incorporated under Companies Act than one under the Co-operative Societies Act.

A question also arose in this connection whether profits of co-operative societies were also exempt from taxation under the provisions of the Business Profits Tax Act, Excess Profits Tax Act and Capital Gains Act, which are temporary measures as distinguished from the Income-tax Act, which is the permanent Act. It was clarified that co-operative societies' profits enjoyed

exemption from the Income-Tax Act, under the notification issued by the Government of India, under Section 60(1) of that Act which empowers the Government to give such exemption. Since the Capital Gains Act was incorporated in the Income-Tax Act itself, Section 60 was held to apply, though this power was taken away from the Government after the Income-tax Amendment Act of 1939 was passed. But the two temporary measures, viz., the Excess Profits Tax Act and the Business Profits Tax Act, contained no provision similar to Section 60(1)., of the Indian Income-tax Act, empowering the Government to grant such exemption, it was held that the profits of co-operative societies were liable to tax.*

III. Co-operative Housing Societies and their Liability to Taxation under the Income-Tax Act :—The position of co-operative housing societies is different. The profits of such societies are not exempt under the Income-Tax Act. For purposes of the income-tax the profits of such societies are computed by reference to Section 9 of the Act and for excess profits purposes the profits are to be computed in the same manner as profits of any other business under Section 10 of the Income-Tax Act. Thus all incomes and expenses would be brought into account and not only those specified under Section 9 of the Income-tax Act. Section 9 of the Indian Income-Tax Act lays down as under :—

"The tax shall be payable by an assessee under the head 'Income from property' in respect of the bona fide annual value of property consisting of any buildings or lands appurtenant thereto of which he is the owner......"

'The words 'bona fide annual value of property' are interpreted to mean, according to the procedure followed by the Income tax Department in regard to the assessment of tax, the annual rent at which a building could be let out from year to year. Thus a co-partnership housing society in the Bombay

* In a recent case the Bombay High Court has held that the profits arising on Sale of Investments of a Co-operative Society on Capitals profits are not liable to Income-tax.

State is liable to pay tax on rents received from its tenant-members not only during the currency of the loan which might have been borrowed for the purpose of financing the construction of houses in the society but even thereafter as bona fide letting value of property belonging to the society is chargeable to tax. The explanatory note added by the Government of India to their Notification issued under Section 60(1) of the Indian Income-tax Act, 1935, must have been probably intended to tax societies or companies which hold property as an investment and not for the purpose of constructing houses and letting them out to members, so as to enable the latter eventually to hold them on nominal rents as in the case in co-partnership tenancy societies in the Bombay State. Rents received by such societies are regarded as taxable income and not profits from co-operative business. On a reference being made to the Bombay High Court, in case in which a co-operative housing society was a party, it was held that the co-operative housing society in Bombay was liable to pay income-tax even though it did not make any profits. It may be noted that a distinction is made between a co-operative housing society as working in the Bombay State and building companies holding house property as investments, as could be seen from the following observations of Their Lordships of the Rangoon and Madras High Courts; in cases referred to them: "Members of tenant-co-partnership societies occupy their holdings as tenants and pay the prescribed rents which constitute the income or profits of a society. It is a case of profits made out of themselves and it would never have been the intention of the framers of the explanatory note to the Notification to tax such societies." Co-operative housing societies in the Bombay State are generally of two types, viz., (1) tenant-ownership and (2) co-partnership. The tenant-ownership societies generally obtain large blocks of land on freehold tenure or on perpetual lease, divide into plots and lease or sub-lease these plots to their members for the purpose of putting up houses thereon. The legal ownership of the land vests in the society if it is freehold, and if it is a lease, the society becomes a lessee. Members build houses on the plots allotted to them and are free to finance the construction of buildings from out of their own funds or borrow, if neces-

sary, from the society for the purpose. In either event, for all practical purposes, the ownership of buildings constructed vests in the members subject, of course, to the rights of the society mentioned in the indentures which form part of the bye-laws of housing societies. In the case of the co-partnership society, a plot of land is obtained by the society and a building or buildings are constructed thereon in which residential accommodation is provided by the society. Both the building and the land are owned by the society and the members are tenants both in respect of the land and the building. It must be noted that tenants themselves comprise the society and through the society own the property. In so far as the tenant-ownership society is concerned, it has been mentioned that ownership of the buildings vests in the members themselves, and the income of the society, therefore, consists of the nominal rent which the society receives from members qua tenants in respect of plots leased or sub-leased to them. In addition to rents, such a society receives contribution from members towards the upkeep of any common property of the society, such as a hall, waterworks, roads etc. Further, contributions are also levied to meet the expenditure of the society in respect of salaries of employees or any other contingent expenses. Thus there is hardly any income by way of rent in these societies chargeable to income-tax. Thus the incidence of income-tax on a tenant-ownership society is practically nil and it falls on the members in respect of their individual properties on which they have to pay tax under Section 9 of the Act on the basis of the bona fide annual letting value at which the buildings could be let out. This income would, for the purpose of tax, be included in their total income and if the aggregate of such incomes is below the taxable limit in any individual case, they would be exempt from tax. In the case of the co-partnership societies, the society itself is the owner of both the land and the buildings thereon. Members occupy tenements as mere tenants. Though the society is the owner, it is the tenant-members that contribute substantially towards the cost of each tenement occupied in the shape of occupancy price and share capital which nearly equal in course of time the very cost of the tenement itself. The so-called rent received from the tenant-members comprises in sub-

stance the share of expenses payable by such members including instalments and interest on a loan borrowed by a society for the purpose of financing the construction of houses or tenements, municipal taxes, maintenance expenses of the property, provision for sinking fund and expenses for common service, etc. No dividends are paid on the shares held by members. The bona fide letting value of the entire property in the hands of the society is treated as the income of such society and the society taxed as an association of individuals. When the society is thus taxed, its members are consequently required to pay tax, even though most of them may not be liable to pay any income tax, individually, even after addition is made of the letting value of the tenements allotted to them in the said property. It should be remembered that a co-operative co-partnership housing society is mainly intended for persons belonging to lower income groups and it is in the fitness of things that such groups be encouraged to go in for co-operative housing schemes and all reasonable facilities should be afforded for such co-operative action. The F.A.O. Conference on Co-operatives in Asia and the Far East held at Lucknow in 1950 adopted a resolution recommending that taxation laws should be so framed as not to discourage individuals from joining or keeping together in a co-operative society. The effect of the withdrawal of exemption from income tax enjoyed by the co-operative housing societies up to the year 1935 has been to hit co-operative effort as against individual enterprises in the matter of provision of cheaper houses. The withdrawal has thrown, however, an unfair financial burden on persons, a majority of whom, as individuals, would be exempted from tax on the basis of their individual income, but would be liable to pay tax immediately they organise themselves into co-operative housing societies for the purpose of providing cheap houses to themselves. It may, therefore, be pointed out that the whole idea behind the co-operative movement in any form of activity is a service for mutual help without profit and the co-operatives must be distinguished from private or capitalistic business in so far as taxation of their profits or income is concerned. The hardship entailed on co-partnership tenancy societies can be removed either by exempting these societies from the provisions of

Section 9 of the Income Tax Act or, in the alternative, the tenements allotted to tenant-members of such societies should be treated as premises owned by them and the letting value of such premises permitted to be added to the total incomes of the tenant-members which may be charged to tax, instead of assessing the society itself in its corporate capacity as association of individuals for owning properties but occupied by different tenant-members, who, for all practical purposes, could be regarded as owners for the purpose of taxation.

IV. Co-operative Societies and their Liability to deduct Income-Tax, at Source on Interest on Debentures issued by Co-operative Societies.—The proposed amendment to Section 8 of the Indian Income-Tax Act contemplates including the debentures floated by co-operatives in the same category as debentures issued by a corporation or a local authority, for the purpose of deduction at source of income-tax on the interest earned by these debentures. A new sub-clause 10(ii) is sought to be inserted or added to Section 18 of the Act, whereby the deduction of tax at source would be made compulsory on the part of a co-operative society and its principal officers and providing penalties in case of default. It may be pointed out in this connection that co-operative societies which raise long-term funds by the issue of debentures are mainly a few Provincial Land Mortgage Banks for the purpose of financing the long-term requirements of agriculture. There were at the close of the co-operative year 1950 only five co-operative apex Land Mortgage Banks in the whole of the Indian Sub-Continent and their aggregate borrowings under debentures were Rs. 581.75 lakhs. The debentures are issued by these Banks at as low a rate of interest as possible in order to enable them to make finance at reasonable rates of interest, keeping for themselves a small margin to meet the cost of management and other incidental expense, and maintenance of reserves. The debentures issued so far by these Banks in different Provinces and States have been a success because of the guarantee both in respect of principal and interest given by their respective Governments. Even with this guarantee, these Land Mortgage Banks have been finding it increasingly difficult to raise the requisite long-term

funds at the old rates because of a general rise in the rates of interest in the money market. It has been found that some time ago both the Bombay Municipal Corporation and the Bombay State Road Transport Corporation raised funds by means of debentures guaranteed by Government for their requirements at 4 per cent and a considerable number of small investors were attracted to them. Added to this, there are the Ten-Years Treasury Savings Certificates issued by the Government of India bearing 3½ per cent. interest tax-free. In the circumstances, with a growing demand for funds and with the same amount of security and guarantee offered by rival institutions in the long-term capital market, the field for investments in the debentures isued by Land Mortgage Banks having usually longer maturities is getting necessarily circumscribed.

By and large, the class of persons with whom these debentures are popular is drawn mainly from the middle class people falling under the lower income groups who are not generally liable to tax and a few co-operative societies, insurance companies and other types of institutional investors. A majority of the individual investors do not want generally to be bothered about the application for refund of the tax and, therefore, appreciate in no small measure the facility that exists at present, viz., the non-deduction of tax at source at the maximum rate of 5 annas in a rupee plus 5% surcharge. The proposed withdrawal of the privilege which after all is a very small one, would certainly have an adverse effect on the class of the investors who would rather prefer to invest their small savings as deposits with sound banks and the large institutional investors who go in for these securities at present because of the facility of non-deduction of tax at source would prefer to seek more marketable Government Securities having shorter maturity and which would be less susceptible to capital depreciation. The land mortgage banks would, in consequence, have no alternative but to put up the rates of interest on their future Issues of Debentures, with the result that long-term agricultural credit would be dearer than at present. The Agricultural Finance Sub-Committee under the chairmanship of Prof. D. R. Gagdil recommended that long-term development finance should be made available to agri-

culture at a rate of interest not exceeding 4% and that Government should subsidise the land mortgage banks to enable them to do so. With the abolition of the Zamindari and a radical reform of Land Tenancies taking place in many parts of the country, the land mortgage banks would be called upon to play in the future a more vital role in financing long-term requirements of agriculture on a much larger scale, than has been the case hitherto. Nothing should be done, therefore to weaken the position of these banks in the matter of attracting the requisite amount of long-term funds for their purpose. The stepping up of agricultural production implicit in the contemplated expansion of the co-operative movement in the Five-Year Plans requires the mobilization of all available funds including the long-term funds raised by the issue of debentures. These institutions, it may be pointed out, are managed by non-official gentlemen under the close supervision of Government through the Co-operative Department with the sole object of developing agriculture. The apprehension, if any, in the minds of the Central Government in regard to the general tax evasion, if the present status quo in regard to non-deduction of tax at source were maintained, would certainly be groundless and unjustifiable, because certainly safeguards do already exist which act as a check against such tax evasion. In the first place, the debentures are registered securities that cannot be transferred by a simple endorsement. Secondly, the Registrar of Co-operative Societies, who generally acts as a Trustee for the Debenture-holders, can certainly be relied upon to watch the interest of Government also. Further, the land mortgage banks would on their part also not be reluctant, as they have never been in the past, to supply the Income-Tax Department with the list of debenture-holders who would be in receipt of interest above a certain specified limit, as may be mutually agreed upon. Recently, a House Financing Society has been established in the Bombay State for financing long-term requirements of housing societies and a part of its share capital has been taken up by the State Government. If the proposed amendment becomes law, the work of this institution is also apt to be hampered in the matter of attracting long-term capital at reasonable rates of interest.

Recommendations of the Taxation Enquiry Committee in regard to Taxation on Co-operatives :—The Taxation Inquiry Committee was appointed by the Government of India on April 1, 1953 to examine the incidence of taxation, and to make appropriate recommendations with Dr. John Mathai as its Chairman. The following paragraphs are the extracts from the Report of that Committee affecting the taxation of income of co-operative societies in India.

History of Taxation on Co-operatives.

Co-operative institutions are registered under the Co-operative Societies Act, 1912, which is a Central Act, or under the corresponding enactments of different States. The general structure of the all-India legislation and the State laws is the same, although there are some differences in point of detail as also in the degree of control exercised by Government. In recognition of the fact that co-operative societies are intended "to encourage thrift, self-help and co-operation among agriculturists, artisans and persons of small means", the Government of India granted certain tax exemptions to co-operative societies from the very inception of the movement. The basis of exemption was embodied in the Co-operative Societies Act, 1904 (later replaced by the Co-operative Societies Act, 1912). The same principles, clarified from time to time, have continued to govern practice. The exemption from income-tax was in respect of 'profits' of a society and of all the dividends or other payments received by the members of the society 'on account of profits'. The term 'profits' was interpreted by Government as referring to 'business profits' and to exclude other income such as interest on securities. To place the matter beyond doubt, the notification granting the exemption was amended in 1934 by the addition of an explanation that the exemption did not extend to (a) income from interest on securities, (b) income from property, (c) income from dividends, and (d) income from other sources. The exemption to members was restricted to dividends and other payments made out of the profits exempt in the hands of the society.

Present Position :

The following notification, as last amended in 1945, regulates the assessment of co-operative societies for purpose of income-tax :—

The following classes of income shall be exempt from the tax payable under the said Act, but shall be taken into account in determining the total income of an assessee for the purposes of the said Act :—

(1) * * * *

(2) The profits of any co-operative society other than the Sanikatta Salt-Owner' Society in the Bombay Presidency for the time being registered under the Co-operative Societies Act, 1925 (Bombay Act VII of 1925), the Madras Co-operative Societies Act, 1932 (Madras Act VI of 1932), or the dividends or other payments received by the members of any such society out of such profits.

Explanation :—For this purpose the profits of a Co-operative Society shall not be deemed to include any income, profits or gains from—

(1) investments in (a) securities of the nature referred to in Section 8 of the Indian Income-Tax Act, or (b) property of the nature referred to in Section 9 of the Act,

(2) dividends, or

(3) the 'other sources' referred to in Section 12 of the Indian Income-tax Act."

Case for Relief :

In the course of a half a century, the movement has made appreciable, but not substantial, progress in many parts of the country. Its most needed and most dominant form continues to be the agricultural credit society; indeed, the movement itself started with the establishment of primary agricultural credit societies; it has since extended to other forms of societies, both rural and urban, and among the diverse types covered

are numerous forms of non-credit co-operative organisations. While the co-operative movement continues to diversify and expand, it would be easily recognised that, in view of the size of the country's agricultural population, the significant place which the handicraftsman and the artisan occupy in the rural economy and the large volume of other business operations conducted by persons of small means in cities, towns and villages, the scope for further expansion and development of the co-operative form of organisation is very considerable. The Five-Year Plan recognises this fact as well as the basic importance of co-operation for the socio-economic progress of the country and accords a very important place to this form of organisation in many programmes of national importance. Recent surveys conducted by the Reserve Bank of India, by Universities and by research institutions, all point to the need to intensify effort for providing various services and aids to agriculture and cottage industries, through organised co-operative agencies. We have ourselves no doubt of the extreme importance of planned co-operative development for the future welfare of the country. It is evident that in India such a development, on the requisite scale, will not be possible without the active assistance of the State. One form of State aid is relief from taxation. In these circumstances, we see every justification for continuing the exemptions from income-tax hitherto enjoyed by co-operative societies.

Recommendations :

The reasons we have just mentioned also justify the enlargement of the existing concessions in certain cases. To this end, we make the following recommendations :—

(i) All co-operative societies, including State Co-operative Banks, central or district co-operative banks, etc., (but excluding housing societies, transport societies, co-operative insurance societies and urban consumer societies), of which the total annual income is below Rs. 20,000, should be exempted from the operation of the 'explanation' which figures in the Government of India notification reproduced above. In other

words, income from investments in (a) securities of the nature referred to in Section 9 of that Act will also be exempt in their case.

(ii) Under the existing provision, the business profits of a co-operative society are exempt from the payment of income-tax but they are included in the total income for determining the rate of tax on the balance of the society's income. For purposes of super-tax, the business profits are completely excluded. The explanation in the notification referred to makes it clear that the income which is exempt does not include income from property or interest on investments or dividends. We recommend that when a co-operative society makes an investment with another co-operative society and gets income by way of interest or dividend, such income from transactions between Co-operatives should not be deemed taxable even if its total annual income exceeds Rs. 20,000. Moreover, in calculating the tax-free element in the dividends of members of co-operative societies, no distinction should, we recommend, be made on the ground of the source from which the divisible profits arise.

(iii) In the scheme of agricultural organisation that is favoured by competent authorities, the extension of a system of warehouses in rural areas is deemed to be of considerable importance. Where warehouses are constructed by co-operative societies or by regulated market committees enjoying statutory recognition, the income from such property is liable to income-tax under the existing practice referred to above. In view of the usefulness of this development in our rural economy, we recommend that co-operative societies (including banks, marketing societies, etc.) and statutorily constituted market committees which provide warehousing or godown facilities, should enjoy exemption from tax on such part of their income as is derived from godowns, and warehouses, even if their yearly income exceeds Rs. 20,000.

(iv) So far as housing societies are concerned, we recommend in regard to 'tenant ownership societies' that income from property should be taxed in the hands of tenant members and not the society. We understand that the present practice in respect of 'co-partnership housing societies' is to charge the

bona fide annual value of all the buildings owned by the society in the hands of the society as a unit. The residential houses built by the society and occupied by the members are actually meant for the benefit of the latter, though legally the society continues to be the owner of the houses. There is obvious hardship involved in the present procedure of taxing the income from the rent of such buildings in the hands of the society. We would, therefore, suggest that the proportionate annual value of the property occupied by each member should be taxed in his hands and the recommendations made by us elsewhere regarding the concession, viz., exemption of the annual value up to half or Rs. 1,800, whichever is lower, to be given in respect of owner-occupied houses should be extended to the tenants of co-partnership societies also.

We recognise the need for ensuring that these concessions are available only to genuine co-operative societies, i.e., those that fulfil certain basic principles of co-operation. These may be broadly listed as one man having one vote, restrictions on shareholdings by an individual, limitation of the return on share capital, and the indivisibility of reserves. The dealings with non-co-operative society are also an index that determines the extent to which a co-operative society is genuine, though no hard and fast rules can be laid down for this purpose, since some types of co-operative societies cannot exist without dealing with non-members. We would recommend that the State Government should ensure through adequate supervision that no improper use is made of tax concessions by different forms of co-operative societies and would suggest that they should take into consideration, for this purpose, the tests mentioned above, notwithstanding the fact that the relevant law under which they are registered does not prescribe these tests as sine qua non for their registration. We recommend that, on a society of which the total income exceeds Rs. 20,000 furnishing a certificate from the State Government to the effect that its constitution and working conform to these tests, the Income-tax Officer should ordinarily grant the concession without further examination. Should, however, the Income-tax Officer find that a particular society which has produced a certificate of

the kind mentioned above from the State Government has had an unduly large proportion of its dealings with non-members, he should bring the matter to the notice of the Central Government, through the Commissioner of Income-tax, and we suggest that a final decision regarding the admissibility of the concession should not be taken till after consultation between the Central Government and the State Government has taken place."

Review after 10 years :

Broadly the recommendations are based on the fact that—

(1) the co-operative form of organisation is avowedly the one best suited for a large sector of economic activity, including agricultural credit, in which it is of advantage for small men to combine their resources and efforts in the promotion of production, distribution or consumption of goods or services in which they have a common interest;

(2) there still exists in this country a vast scope in many spheres for the extension of this form of economic organization; and

(3) tax concessions are one of the means, though undoubtedly a minor means, of helping to bring about such development.

The recommendations in regard to the concession in income-tax to co-operative societies involves (i) the continuance of the existing concessions, (ii) the enlargement of these concessions for certain types of societies, and (iii) the provision of safeguards to ensure that the concessions are not abused. The Commission has, however, suggested that the concessions as well as safeguards against their abuse, should be reviewed from time to time in the light of the objectives postulated. "We suggest," it says, "that there should be such review at the end of 10 years from the time these concessions commence to be implemented. In particular, reviews should aim at assessing (a) the results achieved by way of co-operative development, (b) the extent of revenue foregone, and (c) whether the safeguards have operated substantially to prevent the abuse

of the concessions. On the basis of this review, and periodical reviews thereafter, if necessary, could be formulated further lines of policy in regard to both concession and safeguards."

It will be seen from the above extracts that in addition to the existing concessions in respect of taxation on income of co-operative societies, the Commission recommended that all co-operative societies other than housing, transport, insurance and consumers' societies having a total annual income of less than Rs. 20,000/-, should be exempted from taxation on their income, irrespective of the source. Similarly, income from investment in any other co-operative societies is recommended to be exempted even if the total income exceeds Rs. 20,000/-. Lastly, the Commission recommended that the proportionate annual value of the property occupied by each member of a tenant ownership society should be taxed in his hands and the exemption of the annual value up to half or Rs. 1800/-, whichever is lower, should be extended to the tenants of co-partnership societies also. In order to give effect to the recommendations of the Commission in relation to co-operative societies, the Finance Bill of 1955 inserted new provisions in the Indian Income-tax Act, 1922. The following is a copy of extract of sub-section 4 of Section 9 of the Indian Income-Tax Act, 1922, as amended by the Government of India to the Indian Finance Act of 1955.

"(4) For the purpose of this Section :

(a) the holder of an impartible estate shall be deemed to be the individual owner of all properties comprised in the estate.

(b) A member of a co-operative society to which a building built by the society is allotted or leased under a House Building Scheme of the Society shall be deemed to be owner of that building.

The following are the extracts of sub-section 3 and 4 of Section 14 of the Indian Income-tax Act, 1922, as amended by the Government of India through the Indian Finance Act, 1955.

"(3) The tax shall not be payable by a co-operative society including a co-operative society carrying on the business of banking,

(i) in respect of profits and gains of business carried on by it;

(ii) in respect of interest and dividends derived from investments with any other co-operative society:

(iii) in respect of any income derived from the letting of godown or warehouses for storage, processing or facilitating the marketing of commodities;

(iv) in respect of any interest on securities chargeable under Section 8 or any income from property chargeable under Section 9, where the total income of such society does not exceed Rs. 20,000/- and the society is not a housing society or an urban consumers' society or a society carrying on transport business; provided that nothing contained in this sub-section shall apply to :—

(i) the Sanikatta Salt-Owners' Society in the State of Bombay;

(ii) the co-operative society carrying on insurance business in respect of profits and gains of that business computed in accordance with Rule 9 in the Schedule.

Explanation :—For the purposes of this sub-section, an urban consumers' society means a society for the benefit of consumers within the limits of a Municipal Corporation, Municipality, Municipal Committee, Notified Area Committee, Town area or Cantonment.

(4) The tax shall not be payable by an assessee who is a member of a co-operative society in respect of any dividends received by him from the society.

2. **Co-operative Insurers and Income-Tax** :—It will be seen from the new provisions under Section 14 of the Income-Tax Act of 1922 that co-operative insurance societies have been excluded from the scope of benefits though there has been a broadening of the existing concessions in respect of tax on the income of co-operative societies. Before the amendment of this section, co-operative insurers along with other co-operatives were not liable to pay tax on profits derived by them in terms of Notification issued by the Union Government under Section 60 the Indian Income-Tax Act. The effect of the

amendment has been that the exemption so far enjoyed has been taken away and co-operative insurers are put on par with joint-stock insurers, whether transacting life business or general insurance business in respect of their liability to pay tax. But they are assessed on the same basis as 'mutual insurers'. The amendment to Section 14 of the Act was effected as a result of the recommendations of the Taxation Enquiry Commission. In Chapter VIII of Volume II of the Commission's Report only a small paragraph is devoted to Co-operative Insurance Societies, and the opening sentence of that paragraph reads as under :—

"As regards the analogy with co-operative insurance societies, the complete exemption enjoyed by co-operative societies is fortuitous. Normally the business profits of a co-operative society are exempt from tax." The Report goes on further to say that "Tax exemption gives them a competitive advantage as compared with life insurance companies, though there is no essential difference in their method of working. In an article contributed to the Bombay Co-operative Quarterly (July Issue—1955) Shri G. H. Thakore of the Bombay Co-operative Insurance Society examines the position taken up by the Commission in greater detail and shows conclusively that the whole question of taxation of co-operative insurance societies has been dealt with in a cavilier fashion and that the conclusions reached by the Commission proceed on the assumption that Co-operative Insurance Societies are not co-operative societies at all. It may be noted that the Commission themselves have laid down the criteria to determine that a particular society is genuine or merely co-operative in legal form and these criteria according to the Commission are :—

(a) One man one vote;
(b) Restrictions on share-holding;
(c) Limitation of the return on share capital;
(d) The indivisibility of the Reserve.

Applying these tests to co-operative life insurance societies it may be stated that all policy holders are members and each policy holder has one vote only. They have no share capital

and the question of restriction on shareholding by an individual does not arise. Nor does the question of limiting the return on such share-holding arise. Being a body registered under the Co-operative Societies Act, its reserves are necessarily indivisible. It is an organization of small men who combine their resources in the form of premia and utilise the services rendered by the society in which they have a common economic interest. Thus Co-operative Life Insurance Societies satisfy all the criteria laid down by the Commission. Besides, the Central Government had, in recognition of the special character of, co-operative insurers, while enacting the Insurance Act, permitted them to write policies for less than Rs. 1000 under Section 4 of the Act. The proportion of small policies to the total in the case of co-operative life insurance society would certainly be more than the proportion found in the case of the Bombay Co-operative Insurance Society where it was slightly higher than 20 per cent. In the Indian Insurance Year Book of 1954 published by the Government of India, it is seen from the Report of the Controller of Insurance that the average sum assured of all Indian companies was Rs. 2569, while the average sum assured per policy of co-operative insurers was about Rs. 1,397 or even less. Thus the average sum assured per policy in the case of co-operative insurers was definitely lower than that for proprietary companies. Co-operative life insurers, it may be noted, are organizations working amongst lower income groups, brought into existence by their initiative and capacity for organization. It would, therefore, be highly inequitable to bracket them with joint stock insurers and tax them on that basis even taking away the existing concessions. Co-operative life insurers cannot certainly be put on par with joint stock companies for other reasons as well. In a majority of cases their resources derived as they are from premium income, are low, and do not permit of organizational activities being undertaken on a large scale, as it requires much capital expenditure. As already stated, the average sum assured is lower. Their mortality experience is decidedly higher than that of the joint stock companies, as they mainly operate amongst the lower middle classes and persons of small means. The combined effect of all these factors results in a

lower bonus-earning capacity of a co-operative life insurer than that of a first class joint stock company, as the surplus or bonus mainly depends on the economies effected in mortality, interest and expenses. As the average sum assured is small, a co-operative life insurer has to meet larger administrative expenses for the same quantum of sum assured. Again, co-operative insurers are also at a disadvantage as compared with the joint-stock companies in the matter of investment of their funds, governed as they are by the Co-operative Societies Acts which restrict them to invest their funds in Trustee Securities while their counterparts—the joint-stock insurers—are free to invest their funds in securities and shares of joint stock companies in any manner they like. Although co-operative insurers render similar economic service as that of a joint stock company outwardly, it should be remembered that there is a considerable difference between them both in respect of their organization or operation. Further, the Commission admit elsewhere (vide para 64 to 68 of their Report) that the co-operative organization is best suited for a large sector of economic activity wherein small men combine their resources and efforts in the promotion of consumption of services in which they have a common interest, and that there exists a vast scope for the extension of co-operative organisation and further they also admit that tax concessions are one of the means of helping to bring about such development. In view of what is stated above, it would be obvious that the fact that the exemption so far enjoyed is taken away amounts to unfair discrimination against them as compared with other co-operative societies. Since the Life Insurance business conducted whether by a co-operative insurer or a joint-stock concern, is recently nationalized, the above discussion is of more academic interest to students than it imports any practical significance. Whether co-operative life insurance business should have been exempted from the process of nationalization is another matter. There are also solid reasons why they should have been exempted from being nationalized, and it would be inappropriate to deal with that matter in this context.

3. As regards Co-operative General Insurance Societies,

it may be stated that they stand on a different footing. They have a share capital and, therefore, some resources to fall back upon. The question of higher cost does not arise in their case. They also do of course conform to the criteria laid down by the Commission regarding a genuine co-operative society. There is, therefore, no reason why they should have also lost the concessions so far enjoyed. Besides, the co-operative general insurers are also returning a part of their profits by way of a bonus to their policy holders, which is not being followed by the joint-stock insurers. In their case it is possible to exempt from the business profits any income, profits or gains, from investments or dividends from other sources. Unlike in the case of Co-operative Life Insurers, the business profits are computed in a particular manner on a notional basis, because they are not capable of being split up into profits of investments, interest, or mortality, savings in expenses and the like. Before the amendment to Section 14 was effected co-operative general insurers were liable to pay tax only in respect of interest on investments, but under the amended provisions they have been made liable to pay tax on their business profits as well as if they are joint-stock concerns out and out. This injustice in their case requires to be forthwith remedied.

CHAPTER XXII

Part I

CO-OPERATIVE COMMONWEALTH

The co-operative movement to-day has encircled the globe and naturally co-operative development has been uneven, differing in type and in extent between various countries. Consequently, opinions held with regard to it vary from opposition at the one end to appreciation at the other. Whatever may be the estimate about co-operation amongst outsiders who are not co-operators, the believers in co-operation are themselves divided as to the appropriate role the co-operative movement should play in the economic development of the country, and there are three distinct schools of co-operative thought, viz., (1) the socialist school, (2) the moderate school and (3) the Co-operative Commonwealth school. The socialist school regards co-operation simply as a stepping-stone to the establishment of a socialist state. The great harm done by this group of co-operative thinkers and promoters of the co-operative movement is that they have kept anti-socialists away from the co-operative movement and in consequence, in countries like Belgium, Germany and Finland, separate co-operative organisations have been set up by the rival parties. The moderate school or the "competitive yardstick school," as it is designated by Casselman believes that in no country can co-operatives be expected to become a dominant factor in the economy. Co-operatives would be simply viewed as a means of keeping the evils or excesses of the capitalistic economy in check. Co-operative thinkers belonging to this school hold that co-operation can co-exist with economic enterprises which promote and practise the principles of social justice and equitable distribution and which eliminate profit-making as their motive. These economic enterprises would be in a position to correct the excesses of capitalistic ventures. The public, private and co-operative sectors of the economy would, according to this school, function simultaneously attaining a sort of economic balance between them. The Co-operative Commonwealth school, on the other hand, believes that co-operatives would be the domi-

nant factor in the economy. According to this school, it is held that private enterprise would of course be tolerated, but it would occupy a subordinate position—exactly the contrary to what we find in many countries to-day. It is noteworthy to find that some notable co-operative leaders belong to this school. They are Charles Gide and Earnest Poisson in France, T. W. Mercer in England, G. W. Russell in Ireland, J. B. Warbasse in the U.S.A. and Gevaret Keen in Canada. The Co-operative Commonwealth school believes that co-operative process is an end in itself, that is to say, it advocates that as much of economy as possible be brought within the ambit of co-operation. Thus co-operative organizations would, according to this theory, enter into fields of business where it is not really required, because there are no abuses or evils of private enterprise to rectify. The implementation of this policy must create serious problems in actual practice. Let us take the example of a marketing co-operative. If a marketing co-operative is to succeed, there should be a distinct and real need or a definite economic purpose for establishing it. Unless a substantial number of agriculturists in a particular area consider that the existing marketing facilities are non-existent or are inadequate and thus require to be improved upon in some way and that unless the prices paid to farmers are low in comparison to the price paid by the consumer, as a result of which it is possible to improve the economic position of farmers, a marketing co-operative simply ushered into being in the pursuit of an ideal held by the Commonwealth school is bound to be a failure for obvious reasons. If the existing middlemen perform their functions with the maximum of efficiency and at minimum cost, it is obvious that a marketing co-operative cannot increase the net return to farmers by replacing the middlemen. Thus failure to satisfy an urgent economic need would recoil on its own head and in such circumstances, a co-operative sale society cannot function with profit. There is no magic in co-operation and unless circumstances justify, it has no business to be in any sphere.

2. Earnest Poisson, one of the distinguished members of the Co-operative Commonwealth School, expounds how if,

certain hypotheses were fulfilled or realised, a Co-operative Commonwealth can be ushered into being. He expounds his theory in Chapter IV of his book entitled "The Co-operative Republic" in passages mentioned below:—

"If retail co-operative societies succeeded in establishing themselves in the smallest hamlet in France as well as the gay city and installed their distributive machinery in every place omitting no town or district where the need is felt; if these retail societies embraced all consumers living within their areas or more precisely, were composed of at least as many members as there are households, reckoning those living alone as households; if as a result the number of members of co-operative societies were the same as the population of every parish, of every country, and even of the whole world, if these retail distribution societies supplied all the material needs of mankind from food to clothing, heat and light, omitting nothing, not even dwelling houses: if these retail distribution societies were without exception affiliated to organizations engaged in wholesale trade and obtained from them everything necessary to satisfy their members' needs; if these wholesale societies had completely organised production in factories and workshops belonging to them and reached the stage of controlling industry from the sources of raw materials to the last stages of manufacture; if these wholesale societies had established banking departments or had alongside of them co-operative banks constituted in the same manner as themselves which should take the place of private banks and control all credit on behalf of co-operators in such a manner that every banking and exchange transaction was carried out through them, if these wholesale co-operative societies had little by little acquired the land necessary to produce the requirements of the consumers they represent and to secure dwelling houses for the families dependent on them; if, in short, the wholesale commerce, manufacture, finance and agriculture had been taken over by consumers co-operative societies, owning, controlling and organizing them all; if all these hypotheses were realised, what would be the result? A completely new economic society would be established and this we shall call the Co-operative Republic (Commonwealth)."

An examination of these hypotheses would show that they are practically impossible of realization within a measurable distance of time, though Poisson states that Co-operative Republic is a reasonable hypothesis possible and probable that springs from the observation of laws of the evolution of human society and from the comparison with them, of the evolutionary and organic laws of consumers' co-operation. It is, therefore, a rational hypothesis."

Another distinguished exponent of the Commonwealth school is James Peter Warbasse who believes that if the process of co-operatization is extended to ultimate degree, it would replace the political state. He expresses this idea in his book entitled "Co-operative Democracy" in the following passages:—

"Evolution may substitute co-operative democracy for the State. This is now to be seen in many countries coming about as a continuation of the growth of the co-operative method of organization and its encroachment upon the dominant system of society. The beginning of this organization of society now exists in the co-operative associations. There are local societies; next comes a national society which is a federation of the lesser organisations. Forty such national societies now exist and are united in the International Co-operative Alliance. Here is the framework and the beginning of the co-operative society of the world. Through its local and national organizations of consumers who meet in Congress to promote their interests, co-operation has in operation the machinery which is capable of being a substitute for the political machinery of the State. The National Union of the Consumers, on the one hand, and the National Union of the Employees of Co-operative Societies, on the other, might constitute the two houses of a parliament which should be capable of serving society more efficiently than do the present systems of political government. This body would not be occupied in making laws but in devising ways and means of carrying on service for the people. It would not be concerned so much with the government of the people as with the administration of things. A National Central Board created by the National Co-operative Parliament or

Congress should constitute the executive branch of co-operative democracy. In the place of the judiciary the co-operative movement makes use of boards of arbitration. In co-operative democracy these would function instead of the courts of law of the political State. Through the federation of all co-operative societies of the world, in the International Co-operative Alliance, and through the development of International Co-operative Wholesaling, Production, Transportation, Banking and Insurance, the world is in process of being welded into harmonious society from which the main causes of international hostilities are excluded. Inasmuch as the causes rest chiefly upon an economic basis and wars are instigated and promoted most largely by economic forces, co-operation offers the hope of world peace and is a potent force making for abolition of war.

"The Co-operative Movement is a growing and demonstrable fact; it is tending in the direction towards which mutual aid points to save man from the institutions that would destroy him. It is not society but the individual for whom co-operative is concerned. As it moves towards co-operative democracy, it provides access to the materials and opportunities of life, that make for happiness and for perfecting men and women.. Its aim should be the development of superior individuals, appreciation of cultural values and with a passion for beauty, truth and justice. It may be noted that even after more than a hundred years of co-operation, aspirations and hopes about the abolition of war as a means of settlement of disputes or differences has been as remote from realisation as ever and the world has been in continual danger of slipping back into a fresh war. The perils of atomic and hydrogen developments dominate our thoughts and trouble our consciences to-day. Re-armament absorbs resources which could have very well been devoted to the improvement of agriculture and industry and better standards of living everywhere. Unless the States or nations are prepared to accept non-aggression or non-exploitation as a basis of the national policy in regard to dealing with other peoples or nations, it would appear certain that war is not going to be banished at all. The present situation

in which the world finds itself to-day is attributable in great measure to the lack of faith on the part of great nations in the democratic way of life. The democratic way of life, according to Dr. Radhakrishnan, Vice-President, Indian Republic, includes good faith, tolerance, respect for opinions which we do not share, equal justice for all, the power to speak one's own thoughts, to act according to one's conscience, to do one's duty as one sees it, to live under a government which one has a voice in making and un-making, to promote the causes and advance the reforms which command his devotion, however, repugnant they may be to the rulers. Thus theoretically the Co-operative Commonwealth visualised as "Fraternity of Race, Colour, Creed and Nation expressing through common effort the ideals of Freedom of association, Equality of opportunity and Human dignity in terms of World Economy, based on Mutual Aid first as a principle and second as a method of social organisation, remains a product of imagination, a dream, a myth, a mirage or a utopia."

The essential principles on which a Co-operative Commonwealth understood as a world brotherhood are, according to James Leonard, as follows :–

(1) **Mutual aid** :–The first co-operative principle is the acceptance of the concept of mutual aid both as an economic method and a system of social organization.

(2) **Democracy is the prime co-operative ethic** :–A co-operative system is democratic in that it not only embraces the concept of representative government but also involves the equality of opportunity for all.

(3) **Individual Integrity must be assured as the fundamental basis of Co-operation** :–The co-operative system developing according to democratic principles either in social or economic sphere must assure the economic, social, political and spritual integrity of each participant.

(4) **Human Rights and Freedoms are basic to Human Dignity and Integrity in a co-operative social system** :–

(5) World Brotherhood is at once a means and an end in movement towards a Co-operative Commonwealth.

(6) Adaptation to purposeful social change is fundamental to the co-operative institutions.

(7) Good life is the motive and ultimate purpose of the co-operative community. The highest standards of physical, mental and spiritual life become the working standards of the movement. In pursuit of this aim, co-operation would recognise the fundamental virtues of liberty, equality and brotherhood.

(8) The social change is a peaceful process, that is to say, movement towards a Co-operative Commonwealth is essentially a peaceful process. "One of the simplest and the clearest description of the Co-operative Commonwealth is that adopted by the organisation of children known as 'Comrade Circles' and contained in the declaration repeated by the co-operative children." The declaration is as under :—

"We desire to be just and loving to every one, to work together as brothers and sisters, to be kind to every living creature and so help to form a new world with justice as its foundation and love as its law."

It is rather difficult to subscribe to the theory of co-operative Commonwealth in the sense in which it is described above, as it is incapable of realization within any measurable distance of time. The theory that a co-operative organization would be a non-governmental substitute for the State is also to be understood in a very restricted sense. Under the influence of socialistic ideas the modern State is undertaking many social and economic functions which people can undertake for themselves through their co-operative societies. Thus co-operation would take the place of the State in the performance of these activities through a process of evolution. When the co-operative movement expands its activities in social and economic spheres, the State would certainly be relieved of the burden of solving many social and economic problems which it would otherwise have to face alone. In this connection, James Peter Warbasse writes : "When the people in their co-operative societies provide old-age pensions and houses to take care of the poor; when they create their own parks, recreations, bands and

orchestras; when they maintain their own hospitals and schools; when they build roads, carry on postal service and provide themselves with electric power and light: when they drain swamps to eliminate malaria; when they own and conduct life saving stations on the ocean coast with fulltime life savers and up-to-date boat equipment when they maintain fire-extinguishing apparatus with automobile engines and everything modern in its design; when they put up blocks of houses in crowded cities to remove congestion; when they maintain medical clinics for protecting their members' health; when they conduct courts for the trying of cases of disagreement or litigation among members with higher courts for appeals; when they provide telephone services; when, in short, the people themselves do the useful things that governments are supposed to do, governments are made just so much the less necessary; all of the above public services and many more are actually being performed to-day by co-operative societies, and in the communities where co-operators are doing these things for themselves, the political government, instead of expanding in the direction of socialization, may be thought of as contracting its functioning. As co-operation grows, the State fades. All this however, requires initiative and on behalf of self-interest. Most people are willing to let others do things, and where this indifference exists, local control of their affairs slips out of their hands to others who want to control. It may go to the profit business or to the politicians who carry it away to the capital city as a dog takes a bone to his kennel, where they can do with it as they choose. Even in the co-operative society it may slip into the hands of a manager or a minority group who use it for their own glory or even for their own profit."

As for the prospects of the co-operative organization ever undertaking the functions of the State on the assumption that all the people would come into the co-operative-fold, it should be remembered that the co-operative organization of society can scarcely be called a 'state'. In the first place, according to Warbasse it will never come to pass that all the people would be organized into co-operative societies and all business

done co-operatively. Secondly, there are radical differences between the co-operative organization of society and the political State. "The political State includes all citizens by compulsion, while co-operation is voluntary. An individual cannot say that he has given up the citizenship of a state. If he has withdrawn from one State, he would have to become the citizen of another. A co-operative society is a non-political and a free organization. One joins a co-operative society of his own free will and he is at liberty to leave it also at his will. A member may criticise the working of a society but that does not amount to sedition. The law of the State is not an article of association, but it is an edit handed down from antiquity to govern the citizens and it is backed by the physical force of the State which has control over the life of the citizen. A co-operative society has, on the contrary, its own bye-laws or rules framed with the consent of members and nobody is born into a co-operative society. A co-operative society does not also compel its members to declare their loyalty to it. It keeps members together by performing services and it secures their loyalty by deserving it. The State is a complicated mechanism coming between the people and their economic life. It is a middleman so to say between consumers and producers and meddles into their affairs and creates complications in the affairs of both. The co-operative organisation of society, howsoever extensive it might be, is never qualified to become a State, e.g., it would have no jails nor hangmen, nor police nor magistrates nor any coercive powers. These would certainly exist outside of it. Further, co-operation does not expect also to be a heaven on earth. As the politicians make us believe, the ideal state would bring a new heaven and a new earth. A co-operative organisation does not attempt the impossible task of compelling all to join it. It is a form of organization working in the socio-economic field, founded on the principles of democracy, while in a political state, political reforms are attempted from time to time to introduce democracy but true democracy still eludes the State."

Thus the concept of a Co-operative Commonwealth would embrace the economic democracy which would make concrete

the inalienable right of every one to life, liberty and the pursuit of happiness; which could eliminate unemployment and balance production and consumption and which could accept the motive of service rather than profit as the basis of activities relating to production and distribution and which could give to each one enough.

II. Adoption of Co-operative Principles by the State in India for the purpose of establishing a Co-operative Commonwealth :—In the Constitution framed by the Constituent Assembly and brought into force from the 26th January 1950, India was declared by the people to be a Sovereign Democratic Republic. Political freedom, unless followed by economic freedom means very little to the masses. The realization of this fact by the Constitution-makers has led to the enunciation in the Constitution that it is the declared object of the Republic to bring about an economic democracy. For translating this into practice, certain directive principles have also been incorporated in Part IV of the Constitution. These directive principles have set before the Union Government a High Ideal of Economic Democracy for the realization of which "it will strive to promote the welfare of the people by securing and protecting as effectively as it may a social order in which justice, social, economic and political, shall inform all the institutions of the national life." The State is further enjoined inter alia to guard against concentration of wealth in a few hands and to ensure a fair distribution of the country's resources among the masses. Thus not only is economic freedom of the common people encouraged but the manner in which the change should be brought about is also laid down. India the Sovereign Democratic Republic—has kept before it the ideal of a Co-operative Commonwealth. The place which cooperation has been assigned in the Five-Year Plan makes it clear that the State in India has accepted the co-operative movement as an effective instrument towards the establishment of the Co-operative commonwealth. Not only has the State in India recognised the need for establishing a society based on social justice and equality but the dominant political party as well in the country—the Indian National Congress—adopted

a few years ago a Constitution which sets before the country the goal of a Co-operative Commonwealth. The expression "Co-operative Commonwealth" is a political term referring to a political form of Government which has been evolved by the British Colonial Administration. To-day, the meaning of the expression is a loose association of free nations who are bound by common tie of an ornamental kingship. India is a member of the British Commonwealth of Nations and has declared and affirmed the acceptance of King as the symbol of the free association of its independent members, and as such, the head of the Commonwealth. The members of this Commonwealth can without impairing their sovereignty or independence in any way recognize Her Majesty as the head of the Commonwealth Association. The word "Co-operative" is an economic term and it has acquired through periods of history different meanings dependent on the progress of variety of its applications to the solution of different economic problems. The Co-operative Commonwealth can, therefore, be considered to be a concept of social and political organization. Part III of the Constitution of India promises equality of opportunity, right to freedom from exploitation, right to freedom of religion, and cultural and educational rights, and it explains how India is going to be governed under the said Constitution. In its relations with other nations also, essence of India's foreign policy is non-violence, i.e., the basis of the State action is co-operative, the goal being the establishment of international peace. The expression 'Co-operative Commonwealth' has more of economic and social significance to-day than political, because co-operative economy as such has no political content in it. Even in the economic sphere, there is a confusion in regard to the connotation of a Co-operative Commonwealth and a Co-operative Commonwealth is understood by many to mean that the whole nation would be organized into co-operative societies for diverse purposes and that the economic structure of the country would be built up through these societies and organizations on a co-operative basis. Most of the States in India seem to be taking this view and that is why they have been pursuing the policy of wide expansion of the co-operative movement, with the result that

the number of societies of various types has been on the increase during recent years, but it should be remembered that a mere multiplication of all sorts of indifferently working societies cannot lead to the establishment of a Co-operative Commonwealth, and the idea behind the expression. 'Co-operative Commonwealth' is much more comprehensive than the expansion of the co-operative movement. The essence of co-operation, in the words of Prof. D. G. Karve, does not lie in the mere registration under a particular law. It is the actual pursuit of honest and efficient business done for mutual service which makes an organization co-operative in fact. It is co-operative service among all citizens of the State that makes an economy a Co-operative Commonwealth. Further, what is necessary for the establishment of a Co-operative Commonwealth is the adoption of a vigorous national policy by the States in India in regard to the acceptance of the true fundamental principles underlying the co-operative movement and their implementation. It is incumbent on the States to see that these principles are made the basis of all organizations, whether the individuals are organized in co-operative societies—big and small—or are organized and registered as companies or associations under the Company Law or any other law. What matters most is not the outward form but it is the essence of co-operation that is required. Unless the statutory recognition is accorded by putting a few fundamental principles of co-operation on the Statute Book, the evolution of full-fledged co-operative economy will be cherished only as a goal, e.g., the State may amend the Indian Companies Law restricting the maximum dividend that can be declared on shares to a percentage not exceeding six, and thus effectively preventing the payment of unjustifiably high dividend to the shareholders. In the Co-operative Societies and Companies Acts provisions should also be made for conversion of companies registered under the Joint-Stock Companies Act into Co-operative without undergoing the formalities of liquidation process. Similarly, another amendment can be effected giving societies one man, one vote under the Company Law, instead of one share, one vote. In co-operative economy the claim of capital to some remuneration is recognised but it is not allowed to dominate

a concern. It is not the money but the man who counts and who should have an effective voice in the management and conduct of an institution. It is the ability and opinion one holds that should count rather than the number of shares owned. In view of the recognition of human value in the conduct of the business or an economic enterprise, co-operation does not look upon with favour proxy voting also, as it would be tantamount to surrendering of one's views to others. The adoption of voting by members otherwise than on the basis of shares will not be welcomed by capitalistic enterprises but the State pledged to the creation of a Co-operative Commonwealth should be in a position to overcome the obstacles and see that the managements are responsible to the whole body of share-holders whose nominees they are supposed to be, rather than to a few holders of large blocks of shares. The true principles of representative government of the business ought to be invoked and made the basis of private, industrial and commercial organizations, so that the whole co-operative ideology gets into the people's minds and in course of time, the initiative for the formation of voluntary associations for self-help and mutual help on a democratic basis would spring from them. With the adoption of the basic principles of co-operation by private enterprise in the fields of industrial and commercial activity, the whole economic structure of the country which is at present moulded on diversified lines would be re-built on a more equitable and non-profit basis. Thus the economy would be integrated into a co-operative pattern, and that is what we mean when we say that a Co-operative Commonwealth has been accepted as the basis of all economic reconstruction of the country. It should be remembered in this context that in a world ridden with fierce competition, a change in the present economic set-up can be brought about when a large number of strong voluntary associations for the purpose of mutual service, self-government and democratic freedom come into existence and undertake production and distribution on a basis which is fair and equitable and maintain the higher standards of efficiency and commercial integrity. This would imply the development of a great number of producers' organizations on the one hand and consumers'

organizations on the other, on a co-operative basis. The apex organizations on both these sides should come together and should regulate through a joint board, the prices, so as to be fair to the producer and the consumer alike. In theory, this appears to be promising, but the matter is not so easy, as the producer would demand as high a price as possible for his goods and the consumer wants to pay as low a price as possible, for the goods he consumes. Unless co-operators themselves bring about amicably a reconciliation between these conflicting interests, it is the government that has to be invoked to fix a fair and just price. That is why a Co-operative Commonwealth is visualized in the West to rest on consumer function undertaking the production of goods needed for consumption or use by the vast body of its members. Of course, it is not possible for the consumers' organizations to undertake all lines of production because of the inherent limitations of the co-operative method and the paucity of financial resources. Entry into the field of manufacturing is the most difficult step which co-operatives would have to face, because of a lack of adequate capital and managerial ability. Even in the British Co-operative Movement which has made considerable strides in the field of industrial production, the output is said to be only one-third of the total sales. This means that capitalistic business still dictates prices and quality of goods to one of the most advanced co-operative enterprises in the world to the extent of two-thirds of the volume of business. Unless the co-operative movement reaches a stage where it would be self-sufficient in production, full benefits of co-operative effort would not be realised. Thus co-operative self-sufficiency becomes a complex issue, dependent upon the state of development of the co-operative movement in each country. Besides, it is not all Industries that would be amenable to consumer control. Even within the British co-operative movement there is a variety and divergence of opinion on the subject. Carr Saunders and others write in this context: "The general attitude of the co-operative movement in Britain seems to be that industrial activities can, by their nature, be divided into four groups for which different forms of organization may be required. The first group covers the main public

services—transport and communications, power supplies (including coal mines and oil imports and water). These industries, according to British co-operators, should be organized by the State and Municipalities, because each of them tends to the kind of monopoly which should be subject to public control. The second group covers the large staple industries such as iron and steel, heavy engineering, ship-building and chemicals, and most of those concerned with the production of capital goods. These also should, it is thought, be controlled by the State, because they are of primary importance to other industries. The third group includes the major industries in which fashion and public taste and demand play an important part—textiles, electric apparatus, small metalware and light engineering. The co-operative attitude to this group is rather confused. It fluctuates from nationalization of the whole of each industry to complete *laissez faire.* The middle view is probably in favour of State regulation which would give a special position to co-operative enterprise and permit co-operative units engaged in these industries to supply the co-operative market in their own way. The fourth group covers all those industries, making consumer goods in which co-operative productive—enterprises have been established,—pottery, clothing, foodstuffs and drink, furniture, printing and other trades. The attitude of the co-operative movement to this group is naturally coloured by its vested interests and the movement is not likely to sponsor proposals for State-ownership. The co-operative attitude towards finance and insurance is also difficult to define. The Co-operative Party in 1932 framed a policy on finance which included the nationalisation of the Bank of England and the Joint-stock Banks, the raising of the status of the C. W. S. Bank by admitting it to the membership of the clearing house and the development of a system of Municipal banks. These proposals caused great apprehension at the time among C. W. S. Directors and co-operative leaders and were subjected to much adverse criticism also. As a result of these apprehensions and criticisms the attitude of the co-operative party was modified and the keynote of this modified policy was the assertion of the claim of the co-operative enterprise to have freedom to expand. The views of the British Co-opera-

tive Movement on the State control of trade, according to Carr Saunders and others, are far removed from a logical conception of a Co-operative Consumers' Commonwealth, as there is a tacit assumption that co-operative enterprise, although socially desirable and economically sound in many fields, is not the form of organization to be advocated even by co-operators for all services. This restricted advocacy of co-operative expansion represents definite ideological weakness of the British Co-operative Movement. So much with regard to the part played by the Consumers' Co-operative Movement in a country where it is regarded as the most comprehensive manufacturer of goods and producer of services in the world to-day. As regards the role of the British consumers' movement in agricultural production, failure has been so general that it is now generally recognized that farming is best carried on by men who actually own the land they till and who take a personal interest in improving the land and its cultivation, and in looking at their farms from a long-term point of view. This is not to say, however, that credit co-operation has no important role to play in the field of agriculture, but on the contrary, it has no other serious rival in that field. The opinions of the British co-operative movement on the role of co-operation in industrial production have been quoted above with a view to emphasizing the fact that a mere expansion of the co-operative movement in a part of the sector of the co-operative economy, is no nearer the attainment of a Co-operative Commonwealth understood as a dominant factor in the economy of a country. Thus the only rational view is that which is taken by the moderate school, to which a reference has already been made in this chapter and which invokes co-operation as a means of keeping the evils of the capitalistic system in check and does not believe that co-operatives would ever become dominant institutions in any country. In India, the establishment of a Co-operative Commonwealth has been kept as an ultimate ideal to be achieved by the framers of the Five-Year Plan also. It is explicitly stated in the Plan that as it is the purpose of the Plan to change the economy of the country from an individualistic to co-operative basis, its success should be judged, among other things, by the extent to which it is implemented through

co-operative organizations. The country is also pledged to encourage the establishment of composite or mixed economy under democratic planning, the result of which would be that the State and private enterprises would function side by side with co-operative organizations and thus co-operation would only function as a third sector of the economy.

III. Steps towards the Establishment of a Co-operative Democracy :—In India, until the Co-operative Planning Committee appointed by the Union Government reported and made its suggestions regarding the planned development of Co-operation in diverse spheres, Co-operatives simply grew and multiplied in a planless manner. In the world conditions as they exist to-day, progress in any sphere is practically inconceivable without planning. There was a time when the co-operative enterprise with its emphasis on voluntarism, decentralization and democratic control, was not considered suitable for planning. But now the disadvantages of a free unplanned economy are so obvious that all economic agencies, whether representing capitalistic business, government, agriculture or consumers have come to regard planning as an essential plank in their programme of development for the future. The absence of planning so far has everywhere worked to the disadvantage of the co-operative movement because of the lack of co-ordination between different parts of the movement. Besides, in the changed economic environment of to-day, there is a greater need for co-operative planning, as the co-operative system lends itself to planned action, inasmuch as it represents not individual small-scale units working independently but postulates a closely-knit well integrated federal structure. Authority and direction are not centred in the co-operative system in an external agency but exercised by the federal organization to which the federating units surrender a part of their authority. It is on the basis of self-imposed discipline that the federations function. To aver that the co-operative movement in India is making rapid strides during recent years in diverse directions and provides in consequence a basis for a co-operative democracy is not enough. But what is essential to understand is by what steps in relation to the accepted objective of a Co-

operative Commonwealth is it proposed to advance towards the cherished goal? The plan of economic development of the country has been evolved for us by two bodies. The first is the Co-operative Planning Committee which reported in 1946. The report of this Committee has not only drawn up a comprehensive plan of co-operative development but has also recommended to integrate the same into the general framework of economic development of the country. There is no aspect of the economic life of the nation which has escaped the attention of the Committee and its recommendations have also been accepted by the States, and recent co-operative development has been proceeding all along on the lines recommended by the Committee. On an analysis of the causes that have led in the past to limited success of the co-operative movement, the Committee has come to the conclusion that it was due to the failure of the co-operative movement to tackle the life of the human being as a whole on the one hand and the pursuit of a *Laissez faire* policy by State, on the other. It further believes that the nation-building departments of Government with a new outlook could bring about organization of co-operatives along planned lines without resort to compulsion. A co-operative society, in the opinion of the Committee, is a suitable and effective instrument in the democratization of planning, because it not only educates public opinion in favour of the plan but also executes it. The Committee further recommends that Governments might extend to Co-operatives facilities which might be denied to those who prefer to act independently and pursue a policy of indirect compulsion by denial of privilege which would be as effective as direct compulsion. The members of the Co-operative Planning Committee were all confirmed co-operators or officers who were sympathetic towards co-operation. The second is the body that was appointed by the All-India Congress Committee in 1947 to draw up an economic programme for the Congress. This body comprised veteran statesmen, seasoned national workers claiming no contact with the co-operative movement in the past. This influential body which is otherwise known as the Economic Programme Committee came to almost the same conclusions as those of the Co-operative Planning Committee. The

Committee prefers the co-operative method of social reorganization, because it provides for a transformation of the social order gradually, voluntarily and non-violently. This method does not, however, lead to the liquidation of entire groups in the social structure nor to the bitterness and conflict, which are usually the results of revolutionary changes that were witnessed in Soviet Russia. Revolution would no doubt be achieved ultimately, but it would be a revolution achieved as a result of building up of the material and moral strength of the people. Ours is a vast country and economic democracy, it should be noted, cannot take the same forms as in the case of smaller countries in the world. Decentralization of economic as also of political power is of more importance to us than to smaller countries. It is on the basis of small territorial units or functional groups which have an effective control over their own economic life, that a new socio-economic order otherwise known as "a Co-operative Commonwealth' is proposed to be built up. The local bodies of various description help in the process of decentralization of political power and because of the co-operative organizations built up on the most numerous smaller economic units that decentralization can be brought about in the economic and social spheres. The objective of such a new order of society is not only decentralization but also the achievement of distributive justice and equality of sacrifice and privilege with a view to building up a new equalitarian society. It is on the basis of the conclusions arrived at by the Economic Programme Committee that the Congress has been urged to establish a Co-operative Commonwealth for India. It is from this point of view that it is necessary to make a study of such of these conclusions as provide for the employment of the co-operative method for a planned economic development both in the sphere of production and distribution. The recommendations of the Economic Programme Committee in regard to the steps that would require to be taken are briefly set forth below :—

(I) Matters relating to Co-operatives : (A) Agriculture:— As an item of important agrarian reform, the proposal is made

that all intermediaries between the tiller of the soil and the State should be eliminated.

(2) Middlemen should be replaced by non-profit making agencies such as the co-operatives.

(3) The individual farmer is at present so ill-equipped that he cannot be expected to revolutionise the business of farming. The responsibility of providing the farmer for the purpose of better farming, the essential means of production such as improved implements, manure, seeds, bullocks, etc., must be assured by a provincial agency through the village multi-purpose co-operatives.

(4) Provision for grain storage and manure collection should be made through co-operatives.

(5) Provision for rural communications is recommended to be made under co-operative auspices.

(6) To finance agricultural operations and development, the organization of agricultural finance corporation operating through co-operative societies is suggested. Proposals are made to the effect that the State should organise pilot schemes for experimenting—with co-operative farming amongst small-holders and should set up co-operative farming community for Government unoccupied cultivable waste lands. Government should also directly own and run farms for purposes of experiment and demonstration.

(7) In order to minimise the present wastage and to reduce the high cost of cattle services, co-operative stock-breeding and cattle-maintaining societies should be established. This would enable the farmer to hire out cattle services.

(8) Co-operative multi-purpose enterprises and their unions should be systematically organized in accordance with a definite plan chalked out. The main business of these instituitions should be to cut down the costs of agricultural credit, of processing and marketing of agricultural produce and of the supply of manufactured goods from the towns to the villages and from the factories and industrial co-operatives to the villages.

(9) Organization and Working of Co-operative Societies should primarily be the concern of the local population. District co-operative federations and unions should be started to

debureaurocratize the co-operative movement, so that the functions of Government would be confined to assisting societies in every possible way, in keeping proper accounts, in maintaining supervision over their working and in auditing their accounts and to providing the necessary trained personnel.

(II) Recommendations in regard to Matters other than Co-operatives :—(10) Lands should be held for use and as a source of employment. The use of the lands of those who are absentee landlords or of those unable to exercise the right of cultivating them must vest in the village co-operative community subject to the condition that the original lawful owner or his successor must be permitted to come back to the land for genuine cultivation. In the case of minors and the physically incapacitated, a share of the produce of the land must be allowed.

(11) The maximum size of the holding should be fixed. The surplus land over such a maximum should be entrusted to village co-operatives. Small holdings should be consolidated and steps taken to prevent further fragmentation.

(12) Priority should be given for the development of River Valley projects and for the production and distribution of cheap electricity for rural industries and agricultural purposes.

(13) Statutory Village Panchayats should be organized for a village or group of villages for purposes of self-government. They should be provided with adequate financial resources and should have to supervise all other institutions in the locality.

(14) The existing land revenue system should be replaced by a system of progressive taxation of agricultural income.

(15) Suitable machinery should be created for conciliation and mutual assistance between landless and landholding farmers.

(16) State governments should take steps for the relief of indebtedness of agricultural labour.

(B) **Village and Cottage Industries** :— (1)Industries producing articles of food and clothing and other consumer goods

should constitute the decentralised sector of economy and be developed and run on a co-operative basis.

(2) The primary unit should be the industrial co-operative society that undertakes to supply raw materials, to guide production, to sell the goods turned out by members, and to provide a common workshop where production can be carried on jointly.

(3) The primary units should constitute a part of a strong federal structure with their regional units and associations and a provincial organization at the top.

(4) The various co-operative agencies should make themselves responsible for the supply of tools, the procurement of raw materials, the provision of workshops and the organization of marketing, the cottage worker and the artisan being left free to concentrate on production.

(5) Arrangements should be made with Government for obtaining forest produce serving as raw material at standard rates and not in competition with contractors.

(6) State-aid to workers in cottage industries should be made available only through the agency of co-operative societies.

(7) Loans and subsidies should be granted through the medium of co-operative societies, and Government should guarantee, when necessary, advances made by co-operative banks.

(8) In order to reduce pressure on the system of transport and with a view to promoting self-sufficiency, arrangement should be devised for the sale of goods through local multi-purpose agricultural societies or through neighbouring consumers societies.

(9) Sale depots should be established in towns. Government and local bodies as well as large-scale industrial establishments should extend their patronage to the products of co-operative industrial societies. In doing so, the societies should not be expected to submit tenders, but they should adopt a system of placing orders at standard rates.

(10) The establishment of a cadre of organizers, secretaries and technicians is recommended, so that they would devote their undivided attention to the work of co-operatives

for service in those bodies. The terms and conditions of service and remuneration as well should be such as to attract persons of ability and integrity.

(II) Recommendations in regard to matters other than Co-operative :—The relative sphere of large-scale, small-scale and cottage industries should be clearly demarcated, so as to avoid economic insecurity and destructive competition. Large-scale industries should be utilised to improve the economic basis and the operative efficiency of small-scale and cottage industry. Certain lines of manufacture should be reserved for cottage industries. In the case of cotton textile industry e.g., the output of cottage industry should be protected from the competition of the large-scale industry by paying subsidies to the weavers or by adopting some method of attaining price equalization.

(12) Regional self-sufficiency should be the aim in regard to all types of industries. Location of industry should be so planned as to make a region covering roughly a population of about 10 lakhs a self-sufficient unit in regard to consumer goods, satisfying the daily needs of the people.

(13) New undertakings in defence, key and public utility industries should be started under public ownership. New undertakings which are monopolies or which cover more than one State should be run on the basis of public ownership.

(14) In respect of existing undertakings, the process of transfer from private to public ownership should be completed within a period of five years, and so controlled as to avoid the dislocation of the economic life in the country.

(15) To secure efficient development and conduct of public-owned industries, suitable administrative agencies should be set up.

(16) Control of State departments should be confined to questions of policy. The system of statutory corporations for the management of industry, trade and transport should be developed with necessary adaptation to suit Indian conditions.

(17) In private industry, the existing system of managing agency should be abolished as early as possible. Private industry should be subject to all such regulations and controls as are

should constitute the decentralised sector of economy and be developed and run on a co-operative basis.

(2) The primary unit should be the industrial co-operative society that undertakes to supply raw materials, to guide production, to sell the goods turned out by members, and to provide a common workshop where production can be carried on jointly.

(3) The primary units should constitute a part of a strong federal structure with their regional units and associations and a provincial organization at the top.

(4) The various co-operative agencies should make themselves responsible for the supply of tools, the procurement of raw materials, the provision of workshops and the organization of marketing, the cottage worker and the artisan being left free to concentrate on production.

(5) Arrangements should be made with Government for obtaining forest produce serving as raw material at standard rates and not in competition with contractors.

(6) State-aid to workers in cottage industries should be made available only through the agency of co-operative societies.

(7) Loans and subsidies should be granted through the medium of co-operative societies, and Government should guarantee, when necessary, advances made by co-operative banks.

(8) In order to reduce pressure on the system of transport and with a view to promoting self-sufficiency, arrangement should be devised for the sale of goods through local multi-purpose agricultural societies or through neighbouring consumers societies.

(9) Sale depots should be established in towns. Government and local bodies as well as large-scale industrial establishments should extend their patronage to the products of co-operative industrial societies. In doing so, the societies should not be expected to submit tenders, but they should adopt a system of placing orders at standard rates.

(10) The establishment of a cadre of organizers, secretaries and technicians is recommended, so that they would devote their undivided attention to the work of co-operatives

for service in those bodies. The terms and conditions of service and remuneration as well should be such as to attract persons of ability and integrity.

(II) **Recommendations in regard to matters other than Co-operative** :—The relative sphere of large-scale, small-scale and cottage industries should be clearly demarcated, so as to avoid economic insecurity and destructive competition. Large-scale industries should be utilised to improve the economic basis and the operative efficiency of small-scale and cottage industry. Certain lines of manufacture should be reserved for cottage industries. In the case of cotton textile industry e.g., the output of cottage industry should be protected from the competition of the large-scale industry by paying subsidies to the weavers or by adopting some method of attaining price equalization.

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needed for the realization of the objective of national policy in the matter of industrial development.

(8) Steps should be taken to prevent excessive distribution of the profits earned by an industry or undertaking. Profits distributed should be taxed at a higer rate than undistributed profits. A dividend of 5 per cent. in terms of employed capital, that is to say, capital plus reserves, should be the maximum limit for distribution of profits. The profits to be allocated to the reserve funds should be limited to such amounts as, in the opinion of a competent authority, may be effectively utilized for productive purposes. Out of annual profits after setting apart 3 per cent. on employed capital as dividend and another portion earmarked by Government for schemes of social welfare and industrial improvement, the surplus may be shared between the workers and the share-holders in proportion to be fixed by Government. The remuneration paid to employees shall not exceed in any one year a third of the basic wage.

(19) The State should set up Finance Corporations for financing industries. Banking and insurance should be nationalized.

(C) **Industrial Relations** :—Labour should be increasingly associated with the management in industry and through profit-sharing. In order to promote continuous production, all disputes between employers and workmen should be settled through the machinery of conciliation, arbitration and adjudication. The workers should be guaranteed a minimum wage, proper housing and protection against the economic consequences, old age, sickness, and unemployment.

(D) **Reorganization of Distribution on Co-operative Lines** :—(1) In order to secure a balanced progress in the economy, the reorganization of the distributive system on co-operative lines is considered necessary in which regulated distribution forms an essential part of the economic plan.

(2) If wages are to be controlled and consequently the prices of agricultural products and manufactured articles, the distribution of consumer goods should be controlled by the encouragement of co-operative effort.

(3) Integrated economy could be secured in rural areas by the formation of multi-purpose societies with branches for agricultural producers, consumers and small industrialists. Thus the need for transport over long distances would be obviated and the use of money minimised.

(4) Consumers' societies should be established for the conduct of the retail trade in the necessaries of life for the humbler sections of the population. Government should encourage such societies by the grant of special facilities for transport, storage, commercial intelligence, and by facilitating contact between urban consumers' societies and agricultural or industrial producers' societies in rural areas.

This picture of the economic democracy of the future drawn up by the Economic Programme Committee of the Congress is necessarily sketchy, and many details would require to be filled in, to have a full picture of the whole economic structure. For example, no reference is made to the development of inter-co-operative relationships, the reason perhaps being that strong and real federations undertaking production, distribution, marketing and supply have not yet developed sufficiently. At the All-India level also there is no federation at all for any co-operative activity except co-operative education, training and propaganda. Again, no comprehensive plans are drawn up for an educational programme—both co-operative and general—so as to bring into existence an enlightened group of co-operative members who would be fully acquainted with the problems, possibilities and limitations of co-operation and its relationship with other socio-economic reform movements. For these details one would necessarily have to go to the report of the All-India Co-operative Planning Committee and the elaborate recommendations made therein. The re-shaping of economic life on a co-operative basis is certainly calculated to revive among the masses the instinct of working together for common ends and promote common interests and possessions. In spheres of economy which affect the daily life of millions, establishment of society based on social justice and equality of opportunity cannot be merely brought about by the promotion of schemes of nationalized large-scale industrial or economic

enterprises. Organization of their own economic life on a co-operative basis would ensure economic equality among the people. Under such a regime, according to the Economic Programme Committee, the acquisitive profit-making propensity of capitalism and the regimentation of the totalitarian State will both be excluded. It has already been mentioned that it is co-operative service among all citizens of the State that makes an economy a Co-operative Commonwealth. In such a State for every skill and service, according to Prof. D. G. Karve, an unrestricted scope for expansion is offered, provided it is socially accepted as desirable. There is no repression of personality. In fact, an equal opportunity is offered to all through democratic agencies to place their services at the disposal of their fellowmen. The exploitational element is removed from business which becomes a co-operative service organization. In this context, we cannot do better than quote the concluding observations of Prof. D. G. Karve in his article on "Co-operative Commonwealth" contributed to the "Fifty Years of Co-operation" published by the Bombay Provincial Co-operative Institute :—

"Political scientists have often despaired of democracy ever being a real experience. If there is political equality without economic equality the substance of self-rule is non-existent for the large mass of people. On the other hand, if economic equality is enforced by a regime of imposed uniformity, totalitarianism will drown political freedom and equality. The advantages of mutual collaboration and improving techniques are essential for human progress. Even more essential is the spirit of individual freedom. By maintaining the principles of a democratic constitution and by organizing all associated business on co-operative lines, including municipal and State lines wherever necessary, the maximum possible content of a democratic culture can be assured for all. The Constitution of India is conceived in this spirit and the Planning Commission is seeking to give effect to its purposes in suitable forms and stages. As further steps are taken along the path so indicated, the ideal of a Co-operative Commonwealth should draw nearer and nearer. After a record of half-

a century's experience Indian co-operators on their side should approach their task in a spirit of faith, endeavour and responsibility."

The All-India Congress Committee, at its recent session held at Ajmer, placed before the country the establishment of a Co-operative Commonwealth and a Welfare State as the final goal. The term "Co-operative Commonwealth" understood in the sense of a democratic self-governing community where the common man owns the means of production and controls distribution, is not found in any of the countries of the world to-day. Robert Owen and his followers in England and other social philosophers tried to set up self-governing colonies during the middle of the 19th century at the commencement of the industrial revolution, but these communities proved abortive for several reasons set forth in Volume II. Though Robert Owen's schemes were utopian, the socialistic ideas of the time that were set afloat took root in people's minds and laid the foundations of the modern co-operative movement in the West more than a century ago.

In an interesting article contributed to the September issue of the All-India Co-operative Review, Shri. V. L. Mehta refers to the objectives of the Co-operative Commonwealth and examines whether the co-operative form of economic organization would be in harmony with our ideas of a new social order and would fulfil ultimately the objectives of a Co-operative Commonwealth. According to Shri. Mehta, the establishment of a Co-operative Commonwealth and a Welfare State would mean the abolition of unemployment, the production of wealth on a much larger scale and its equitable distribution among all sections of the community. The present individual acquisitive economy requires to be changed gradually into a socialized economy, and Co-operation, according to Shri. Mehta, provides the socially controlled economy which is to replace the individualistic economy and at the same time assures "the dignity of the individual."

Lack of responsibility for personal initiative is, in the

opinion of Shri. Mehta, one of the great dangers of the world in present times. The co-operative method representing as it does voluntary groups of weak, humble individuals joining forces to promote the common economic ends, provides for these individuals the common economic enterprise that their organization seeks to promote. This is an advantage that the co-operative form enjoys over the socialistic form where the individual as producer or consumer does not exercise any control over economic enterprises controlled by the State. Shri. Mehta further states that the co-operative form of organization is democratic. An individual who joins it has one vote and no more, irrespective of the capital he contributes. While this ensures equality, social justice is ensured by the accepted principle of replacement of the profit motive by the service motive. When in the performance of the service for which the economic enterprise is run, a surplus accrues, such surplus is first held in trust for the entire community of members. After making a fixed low return on capital and making necessary provision for the ploughing back of some portion into the business and for education purposes and contribution towards common good funds, the main claimants are deemed to be members who have contributed to the earning of the surplus. This contribution in a consumers' society takes the form of purchases made by a member and form of wages for labour rendered in a producers' society. If this principle of the division of gains of the economic enterprise is extended over the entire field of economic effort–such as can be brought within the purview of this form of organization–, one can visualise to what an enormous extent it can ensure conditions of economic justice.

A cursory study of our economic situation, Shri. Mehta avers, is enough to show that the co-operative method is peculiarly suitable for adoption in India. Of our national income, 50% is contributed by agriculture, which is carried on by individuals operating small-sized units with small means. In order to step up production on progressive lines, the only form of organization, according to Shri. Mehta, is that of Co-operation. Similarly, in the field of industry, small-sized units contribute Rs. 910 crores to the national income as against Rs.

550 crores, which is the contribution of the factory establishments. These small-sized units are run by individuals with scanty resources, and unless they are organized into co-operative organizations, they cannot increase production nor build up adequate strength to face competition and resist attempts to reduce their employment. Being far more numerous, they are far more important, in the opinion of Shri. Mehta, from the humanitarian point of view than those organized in factory establishments. Shri Mehta concludes finally as under :–

"Co-operation is a plant of slow growth. Needed as it is for a backward economy, it has to overcome handicaps imposed by illiteracy and utter lack of powers of resistance. But what is even more needed is the arousing of the desire to work for common tasks. Hard-working as our peasents and artisans are, the individualistic spirit is too evident where economic matters are concerned. Co-operation can grow only with education : this education will have to comprehend not only the principles and practice of Co-operation, but the cultivation of the spirit of working together for a common end which is the advancement of the welfare of all on which depends the welfare of each."

Part II

Enough has been said in Part I of this chapter to clarify the conception of a Co-operative Commonwealth and what it connotes to the common man in India. In one of its recent sessions the Indian National Congress has redefined its goal as the establishment of a Co-operative Socialist Commonwealth in India. The expression 'Co-operative Commonwealth' has come to be qualified by the interposition of the word 'Socialist'. The expression 'Co-operative Commonwealth' can be variously defined as socialism itself. There is, however, considerable divergence of opinion among socialist thinkers and writers about the role that Co-operation can play in the reorientation of society. In reviewing 'Co-operative-Banking' and 'Agricultural Marketing in India', the reviewer in the July issue of "Venture"–a Journal of the Fabian Colonial Bureau–makes the following observations:–

"India has accepted as its goal 'the socialist society'. By their Five-Year Plans, the Government of India have attempted to ensure an all-round economic development on a planned basis. The Indian Co-operative Movement has been given the central role. This will surprise most of us accustomed as we are, to the view generally held among British socialists that co-operatives are irrelevent to socialism. It might be less surprising, were there more pamphlets which told of the contribution made by the co-operatives in the under-developed areas. Even in India little was written about it before the appearance in 1956 of these volumes both of them written by Indians, following the publication of the Report of the All-India Rural Credit Survey Committee."

Even among the ranks of co-operators in India, there are those who consider that socialism and co-operation are poles apart. In this welter of confusion of thought, it is those authors who have coined the phrase such as 'socialistic pattern of society' or 'Co-operative Socialist Commonwealth' that can tell us precisely and with authority what the Congress intended to convey exactly by redefining its goal and what the new phrases exactly connote in the context of the welfare of the common man in India. The essential objective underlying an all-round economic development of the country on a planned basis is in the words of the Report of the "Second Five-Year Plan" to secure rapid advance along democratic and egalitarian lines. Within this broad approach, the Second Five-Year Plan has been formulated with the following objectives :—

(1) A sizeable increase in national income so as to raise the standard of living in the country. The task is, however, not merely raising living standards but it is one of generating a dynamism in the economy which will lift to continually higher levels of material well-being and of cultural and intellectual achievements.

(2) Rapid Industrialisation with particular emphasis on the development of basic and heavy industries.

(3) A large expansion of employment opportunities and reduction in inequalities in incomes and wealth, and a more even distribution of economic powers.

These objectives underlying an all-round development of the country have been summed up in the phrase 'socialistic pattern of society'. With these objectives in view, it is a responsibility of the States in India to see that the benefits of economic development must accrue more and more to the relatively less privileged classes of society and the society should be so reoriented that the small man has a chance of rising in life. Thus there is nothing new in the concept of a socialistic pattern of society and, in fact, it is implicit in the preamble to the Constitution of India. There is hardly any responsible party now which does not want the establishment of a socialistic pattern of a society. The objective of national policy is to create an economic democracy and such a democracy will succeed to the extent that it learns to use every agency created by the people to promote the cause of social justice. The agencies such as the co-operative form of economic organization, are to be fully utilised to attain the social ideals of democracy. In so far as these agencies are unable to function properly in the environment in which they find themselves, the State is to help them to rise to their full stature in order to realize their ends. Thus if a Co-operative Commonwealth is to be established, the basic organizations–the co-operatives–must be made to work properly and they cannot function properly without a powerful prop–the State. That is how it appears that the word 'socialist' has been interposed between the words 'co-operative' and 'Commonwealth'. It becomes the duty of the State, therefore, to create a favourable climate in which the co-operative forms of organization can grow and flourish. Of the two prevailing trends in the world, a Co-operative Commonwealth and a Socialistic Commonwealth, the former is favoured and promoted by the co-operators who believe in extension of private property and individual initiative and freedom, and to them interests of the individual in so far as they do not conflict with those of the group are of great supremacy. The other trend springs mainly from the idea that the society is all in all and it is represented by the State and what is best for society is also best for the individual. In this ideology, the State is looked upon as nucleus of social organization, the individual being subordinate to the State. Co-opera-

tion, it may be noted, essentially stands for self-reliance and self-help, and co-operators believe that nothing should be done by the State which the people unaided can do for themselves. The State should come in only to help the people to help themselves. In other words, it should use its best endeavours and powers to help the people to organise themselves in non-profit associations informed by social justice and fair play for the purpose of getting access to things and services. It is only the co-operative form of organization that can promote equality of opportunity and equality of responsibility, as one man's prosperity is associated with the prosperity of others. The observations of the Planning Commission on the suitability of the co-operative method for various forms of economic activity are scattered all over in its Report on the First Five-Year Plan, besides devoting an entire chapter to Co-operatives. It will be seen from what has been stated elsewhere that the Planners favour the co-operative form of organization for promoting dairying and horticulture, for fisheries, for the felling of trees in forests, and collection of forest produce, for provision of labour in small and large construction works, for rural and urban housing, and finally for the better financing of the village industries, handicrafts and small-scale industries. What is the import of socialistic pattern of society in practical life? Does it mean in the sphere of agriculture a resort to nationalization of land or a resort to collectivisation? If the objectives of the national policy are correctly understood, it will be obvious that the nationalization of land or promotion of collective farming on a large scale would be unnecessary, as social control can be restricted in its application to the process of abolishing feudal rights in land, conferring of tenancy rights to the individual cultivator, the abolition of intermediaries between the State and the cultivator. These are the planks in the programme of agrarian reforms which are being undertaken all over India. Along with these reforms, ceilings on land-holdings with the objective of putting a limit on incomes from all sources, the defining of a minimum unit of farming below which cultivation becomes uneconomic and unremunerative, are also a desirable reform. These uneconomic units and the surplus available after imposition of ceilings should be

constituted into consolidated blocks and these blocks should be converted into co-operative farming societies. They should be available for landless workers in the land and the uneconomic holders of the land. Co-operative farming societies can also be organised for the cultivation of reclaimed khar or forest lands. The Development programme should cover the formation of tenant-farming societies or voluntarily formed landholders' farming societies or societies accepting joint village management. The State can extend its help by providing finance to the requisite extent and creating an administrative machinery and provision of technical guidance. It is likely that a major section of the agricultural community may remain outside the range of this programme. Co-operative organizations for undertaking activities concerned with production, distribution and consumption are being increasingly organized in rural areas all over India according to the National Plan visualised and when these institutions devote and grow more comprehensive in their aims, persons constituting them would realise that their interests are also identical with those of the community. This is the aim which the Community Development programmes have before them and so the community is interested in implementing them on a large scale. This is with regard to the major industry–agriculture–which is responsible for yielding nearly 50 per cent of our national income. There is another and more important sector of our economy that of self-employed persons engaged in industries other than agriculture. These persons are running small-sized units and contribute, as already mentioned, more to the national income than factory enterprises. Their number also is many times greater than those engaged on a wage basis in the factories. As producers of wealth, their per capita income is the smallest like their counterparts in agriculture. They have poor resources, are subject to exploitation and are hard-hit by unfair competition to get sufficient work. Further, they have no knowledge nor the means to achieve the technical improvement, nor are they in a position to face the competition from organized factory industries. It is up to the State, therefore, to come forward to help these persons in order to keep their heads above water in accordance with the directives of social policy embodied in

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constituted into consolidated blocks and these blocks should be converted into co-operative farming societies. They should be available for landless workers in the land and the uneconomic holders of the land. Co-operative farming societies can also be organised for the cultivation of reclaimed khar or forest lands. The Development programme should cover the formation of tenant-farming societies or voluntarily formed landholders' farming societies or societies accepting joint village management. The State can extend its help by providing finance to the requisite extent and creating an administrative machinery and provision of technical guidance. It is likely that a major section of the agricultural community may remain outside the range of this programme. Co-operative organizations for undertaking activities concerned with production, distribution and consumption are being increasingly organized in rural areas all over India according to the National Plan visualised and when these institutions devote and grow more comprehensive in their aims, persons constituting them would realise that their interests are also identical with those of the community. This is the aim which the Community Development programmes have before them and so the community is interested in implementing them on a large scale. This is with regard to the major industry—agriculture—which is responsible for yielding nearly 50 per cent of our national income. There is another and more important sector of our economy that of self-employed persons engaged in industries other than agriculture. These persons are running small-sized units and contribute, as already mentioned, more to the national income than factory enterprises. Their number also is many times greater than those engaged on a wage basis in the factories. As producers of wealth, their per capita income is the smallest like their counterparts in agriculture. They have poor resources, are subject to exploitation and are hard-hit by unfair competition to get sufficient work. Further, they have no knowledge nor the means to achieve the technical improvement, nor are they in a position to face the competition from organized factory industries. It is up to the State, therefore, to come forward to help these persons in order to keep their heads above water in accordance with the directives of social policy embodied in

the Indian Constitution with particular reference to the promotion of cottage industries in rural areas. It is through the organisation of industrial co-operatives that the serious imbalance in our economy between agriculture and industry can be redressed. It may be noted that the growth and development of manufacturing industries producing consumer goods inevitably brings about the displacement of a large number of people from their traditional crafts and this process requires to be checked and even banned in a socially controlled economy for the benefit of self-employed persons by organizing production on co-operative lines among such persons in the corresponding cottage industry. This is essential if one of the objectives of national policy is also to check the growth of unemployment or underemployment and to increase employment opportunities, so that production may expand in order to equate demand and to bring about an equitable distribution of wealth and income. If an equalitarian society is to be built, it is necessary that all disadvantaged producers should get an equal opportunity in order to achieve economic self-sufficiency. This is the bedrock on which a new social order can be built.

CHAPTER XXIII
Part (I)

. CO-OPERATIVE EDUCATION AND TRAINING .

1. **Need for General Education** :—"A human soul without education is like marble in the quarry which shows none of its inherent beauties till the skill of the polisher fetches out the colours."—Addison.

This quotation aptly sums up how education is necessary for all mankind. For the proper development of Co-operation—which is an emancipatory movement—working for the common good of mankind, education in Co-operation, however intensive it may be, will not achieve the desired results unless there is a grounding of general education among the members. It is true that the co-operative movement itself is an educative agency, giving those who take part in it an insight into business methods and social ethics. In countries like England and Germany, there was general illiteracy amongst the masses when the co-operative movement took its birth. Some facilities for education were provided by the clergy and other agencies. When the State came forward and introduced free general education of the masses the co-operative movement began to make rapid strides. The efficient management of a co-operative institution presupposes some educational qualifications in those entrusted with the day-to-day affairs and where general illiteracy is the rule as in the undeveloped and underdeveloped countries like India, there is hardly any scope for selection of even a few people who can understand business and guide the working of the society on right lines. No movement is in greater need, therefore, of the general education of its members than does the co-operative movement. It becomes the duty of the State, therefore, that every citizen of this vast and ancient land receives a minimum standard of general education. Harry Laidler has described the necessity for a general education programme in the co-operative movement as follows :—

"The Co-operative Movement must likewise engage in a comprehensive educational programme. It must present to its

members all the philosophies of fundamental economic change and stimulate its membership to hard and courageous thinking and acting in the behalf of the ço-operative ideal. If it fails to do this, it may degenerate into a mere system of shops which pay dividends on purchases. If it succeeds in this educational task, it may well give a new strength and purpose to the whole social and economic life of the age."

2. **Education in Co-operation** :—Co-operative education has a two-fold aspect. It may refer to all those programmes which have as their objectives the increase in knowledge and understanding of the members of societies in so far as the principles, purposes and techniques are concerned. These may be styled as member-education. Co-operative education understood in the sense of training instituted for the paid officials or personnel, whether employed by the societies or State Departments may be styled as 'co-operative' training. Co-operation, it may be noted, is essentially a mass movement and depends for its ultimate success on informed membership based on conviction in its methods and an implicit faith in its ideals. Co-operatives, it may be noted, therefore, cannot be run as efficient business units uless their office-bearers and the officers of the State Co-operative Departments are properly trained in the discharge of their duties. The primary aim of co-operative education is to teach people to co-operate, to forter in them a sense of loyalty towards their co-operative society and to make them realise that their loyal patronage would be for their own good and for that of the co-operative by prevailing upon them to attain the ultimate objective of more wide-spread membership and achievement of a fuller life. The secondary aim of co-operative education consists in making men and women better consumers and producers, more enlightened electors and more useful citizens. It should also make people unite together and work in common in matters other than co-operative also. Co-operative education, it should be remembered, is a continuing and a slow process and its objectives are long-term. In contrast with co-operative education, the objective of co-operative training is to impart to the trainees the requisite skill and efficiency in the performance of certain

specific jobs at different levels. It may be both theoretical and practical, but should be more practical than theoretical.

3. **Content of Education** :—The object of co-operative training and education will generally determine the content of the training programme. In deciding the content of co-operative training and education, the personnel for whom such training and education is required will have to be taken into consideration. The content of educational schemes will, therefore, have to be different for different people.

(A) *Co-operative Education :*

(a) **Co-operative Leadership** :—It is a truism that no movement can succeed without proper leadership. The task of training its own leaders has to be shouldered by the co-operative movement. If leadership at different levels is to be created, the content of education will have to be so designed as to place greater emphasis on the ideals and the philosophy of the co-operative movement.

(b) **Education of the Public** :—As the people are prospective members of a co-operative society, the educational programme meant for them should be so devised as to win their sympathy in order to attract them to the co-operative fold.

(c) **Education of the Youth**:—The co-operative movement, while undertaking its planning, must really look into the distant future, at least a generation ahead, and this introduces the problem of including the subject of Co-operation in schools and colleges. The best way to spread co-operation among the youth is to persuade them to practise it in catering to their various requirements, e.g., canteens, stores for books and stationery, entertainments etc. Apart from establishing co-operative colleges, the School, the College and the University authorities should give proper attention to teaching Co-operation in their curricula. It is possible to teach co-operation in schools also in diverse effective ways such as stories, dramas and songs etc., It is to the younger generation that the co-

operative movement must look for drawing its leadership. For this purpose it is necessary to prepare co-operative literature properly illustrated and designed to suit the requirements of different age groups. Similarly suitable documentaries should be prepared to spread the gospel of co-operation amongst the younger generation. A field staff of Education Officers should undertake the task of organising study circles and group discussions in order to encourage habits of collective thought and action among the youth. In short, a popular youth movement should be organised in order to propagate the co-operative ideology and possibilities of co-operative development and blessings of co-operation.

(d) **Education of Women** :—The participation of women in the co-operative movement is a vital necessity because of the control they exercise over purchases of consumer goods as the woman is the queen of the household and of the family. Besides, women have a paramount influence in the teaching and upbringing of children. Mothers who are convinced of the benefits of co-operation will certainly help in the rearing of their sons and daughters who turn out to be co-operators. It is for the men-co-operators in the first instance to convert women in their household to co-operativism such as their daughters, wives and sisters. From this should emanate guilds and study groups. There are, it may be noted, unlimited opportunities for women to take part in the co-operative movement. Their support would be of great help in the organization of co-operative stores, canteens, social services and handicrafts. An effective programme should be drawn up in order to create an enthusiastic band of women co-operative workers who are devoted to the spread of co-operative principles and methods of work among women. If co-operatives among lower and middle income groups of women were established for the development of cottage industries and handicrafts, the co-operative movement would grow of its own momentum amongst women.

(e) **Education of Non-Officials in the Movement** :—The Co-operative Movement is a democratic movement and it can-

not depend for its success on the good sense of a few people only. Members of co-operative societies should be educated in their rights and obligations to the society. They should be taught how to exercise effective control over the affairs of a society and over the doings of office-bearers. They must also be so imbued with the co-operative spirit that they may be accustomed to think and act in a co-operative way. The co-operative movement will succeed to the extent to which the members are trained in democratic control and conduct of the affairs of societies.

(B) **Co-operative Training** :—The training of office-bearers and of key-employees is another major educational task. Within the non-official group, training schemes will have to be evolved for members of Managing Committee or Directors or Managing Directors or Honorary Secretaries of societies. The scheme of training of the latter would be of a general type having the limited objective of enabling them to examine properly the facts placed before them by the employees and take correct decisions thereon. Their analytical faculty has thus to be trained. They should also be trained in co-operative ideology so that they may be well-acquainted with co-operative principles and techniques. Managers, senior executives, men in responsible positions and other employees of co-operative institutions as well as officers of the Co-operative Department need special training in order that they may be equipped properly to discharge their duties efficiently and understandingly. It is obvious that within this group training programmes will have to be different for different levels of employees, e.g., managers, secretaries, supervisors, salesmen and technicians in industrial co-operatives. Similarly, the content of training will have to be differently devised for broad types of activities such as production, agricultural as well as industrial, distribution, marketing, warehousing, consumption, co-operative banking and co-operative insurance.

4. **Techniques employed for imparting Co-operative Training and Education** :—Mere formulation of appropriate schemes of co-operative education and training will not do. What is

more important is that effective methods of imparting education and training will have to be employed. The problem is to choose the right method for the right persons.

(a) **How to train people to co-operate?** In the process of converting a man to co-operativism, four different stages may be mentioned through which he would have to go. They are, in the opinion of Casselman, (vide page 29—Co-operative Movement and some of its Problems by Casselman).

(1) Attention.
(2) Interest.
(3) Conviction.
(4) Persuasion.

The first step in the making of a co-operator is to draw his attention to the fact that there is such a system as co-operation. The task of making people co-operation-minded can very well be accomplished by undertaking all forms of publicity such as radio, newspapers, calendars, blotting pads, electric signs, or street-car advertisements. After attracting attention, interest must be stimulated. It is clear that no individual will try to learn or study the principles or history of co-operation unless he is interested in it. Most people remain outside the ambit of the co-operative movement because they are not interested in it. But there are people who are interested in it not with a view to promoting it but to see it fail. But for the majority of the people, it is a question of indifference. How to make these people interested in it is a problem. Of course, there are ways of accomplishing this. The first step in arousing the interest of such indifferent people is to hit upon some aspect of co-operation which would appeal to them. The number of advantages, both economic and social, which co-operation offers may be a sufficient appeal to those who are interested in the achievement of a new social order or increase in their purchasing power. To some people there may be no special objectives in view, but they may be attracted by co-operative history, its development and achievements in many countries. The main problem is: what method should be employed in order to arouse interest. An average individual may not appreciate a

dry lecture on co-operative principles, but if the teaching of principles could be incorporated in a play, the audience would appreciate the same. Casselman suggests that the following are ways of presenting co-operative facts and philosophy in an interesting manner:—

(a) by organising a lively discussion by competent speakers on the pros and cons of a topic;

(b) by showing films which convey the accomplishments and developments of co-operatives;

(c) by presenting plays that use co-operative philosophy and methods as a theme;

(d) by encouraging the reading of co-operative news, that would appeal to the reading public;

(e) by inviting an outstanding authority or a specialist to speak or write on some phase of the co-operative movement; this writer or speaker should not be chosen from the co-operative field, because the average citizen will attach more importance to the opinion of an eminent disinterested writer or speaker who is not connected with the co-operative movement, than to the word of a co-operative authority, who is already "sold on the idea".

(C) **Conviction** :—It may be noted that mere interest in co-operation may be inadequate for the purpose of converting an individual to become a co-operator. He must be convinced of the principles underlying a co-operative organization before he can be asked to put them into practice. Conviction can be effected by educational methods given below :—

(i) by reading and studying co-operative literature in the form of pamphlets, books, periodicals, brochures, newspapers and the like.

(ii) by attending courses of lectures on co-operation delivered in colleges or elsewhere by other agencies.

(iii) by studying by postal or mail method.

(iv) by listening to radio lectures, or forums on the subject.

(D) **Persuasion** :—Persuasion is the final step for creating a co-operative mentality. It is closely associated with con-

viction. It is one thing for a man to be convinced of the utility or benefits of co-operation, but to put into practice the principles one is convinced of, is another. Mere conviction is inadequate. People should practise what they know and feel convinced about. The one supreme educational technique is to train people for co-operative action. It has been found by experience that group discussion is the surest way of developing a co-operative state of mind. A study circle or a discussion group may be regarded as an intellectual exercise in which people co-operate for exchanging their ideas or suggestions etc. A discussion group is the best training ground for co-operation, as it is the flexible way of learning because it can be adjusted to suit any circumstances. How the group discussion way of learning operates can be seen from various manifestations mentioned below. (According to Casselman):—

(a) **Study Group** :—In this method one individual is asked to prepare at home a special paper to present it to the group. The groups are sizeable not exceeding fifteen or twenty. A leader of the group is chosen to guide the deliberations at each session. No one is allowed to do the whole of the talking, every one being allowed an opportunity to have his say. This method has been found by experience to be the most popular.

(b) **Group Listening** :—The listening Group is also a discussion group, but it gathers around a radio, to hear a broadcast on a special topic prepared for the purpose. When the broadcast is over, people assembled discuss the points involved. In this method of learning the topic presented can be only of a general nature and not bearing on the immediate problem on hand.

(c) **Film Forum** :—In this method people gather round the exhibition of a film which is later discussed.

(d) **Panel Discussion**:—In the panel method of discussion four or five speakers are chosen to discuss a problem on topics which are specifically prepared for presentation to a larger

group. A leader is appointed to guide the discussion. After the speakers have finished, the subject is thrown open for discussion by the leader of the group. Though this method stimulates greater interest than a mere lecture, it is not as effective as the first three methods, as it is difficult to make all people participate in the discussion, as the audience is more numerous and is inclined towards indifference.

(e) **Tour Method** :—This way of learning consists in arranging an excursion or tour to a neighbouring co-operative institution, which may be a marketing co-operative or a central bank or a creamery or a sugar factory. This method has a great educational value in teaching people how things are done elsewhere. The tour method helps in dissipating the isolationist mentality and it should be followed by group discussion.

(f) **Project Method** :—This method helps people in learning by doing. A group carries out a project of local importance. Other methods may also be followed with advantage. They are the symposium, the forum, the debate, the lecture-demonstration method. In the symposium method instead of a given topic, each delivers a short and separate speech after which discussion follows. The forum is a lecture delivered by one speaker after which the subject is thrown open for discussion. Nearly half a dozen people take part in the discussion. Some speakers speak in favour of the proposition and some against the main proposition placed before the group. The speeches are fully prepared beforehand. After the invited speakers finish their speeches, general discussion follows. The lecture-demonstration method is where pictures or lantern slides are made use of to illustrate the spoken word.

(g) **Learning by practice** :—The methods referred to above have been tried with varying degrees of success in different countries under different conditions. But the study circle method excels others in the promotion of co-operative action. "An ounce of practice is worth a ton of theory," still holds good in the field of co-operation. The best training ground for developing a co-operative outlook and a sense of loyalty and self-

help is actual participation in the affairs of a co-operative. It is education by living. But it does not include those who are outside the co-operative fold. Lastly, the recreational method can contribute towards better citizenship and promote better development of co-operation itself. Recreation can be directed towards the same end as that envisaged by a formal educational programme. In its own interest it is necessary that a co-operative must have a committee to attend to educational and publicity work, if it is to catch up with progressive ideas. After indicating the techniques to be employed in the propagation or spread of the co-operative movement, the next problem would be one relating to the agencies that can undertake the work of co-operative education and training. These may be either official or non-official, though they are not exclusive. The official agencies would consist of :—

(i) Co-operative Directorate in the Ministry of Food and Agriculture;

(ii) The Reserve Bank of India, Agricultural Credit Department;

(iii) State Co-operative Departments;

(iv) Community Project Administration and N. E. S. Organization.

(v) Educational Departments of the various State Governments.

The non-official agencies would comprise :—

(1) The All-India Co-operative Union;

(2) The State Co-operative Institutes, Unions or Federations by whatever name called;

(3) Individual co-operatives;

(4) Universities;

(5) Public-spirited and charitably disposed individuals.

5. **Finance** :—In order to create a favourable climate for the continuous growth of the co-operative movement, it is necessary to undertake the educational programme at various levels in different phases and for this purpose large funds will be needed. Firstly, finance will be required for purchasing equipment, books for libraries and preparation of teaching

materials. The educational programme for non-officials will have to be separately allocated for the training of officials and education of non-officials. Funds will be tapped from the following sources :—

(a) The Ministry of Food and Agriculture, the Government of India;
(b) The Reserve Bank of India;
(c) The Planning Commission;
(d) The Community Projects Administration;
(e) The Co-operative Institutions;
(f) Receipts from fees and subscriptions;
(g) Receipts from fees and subscriptions;
(h) Foreign aid, if available.

The Government of India is pledged to foster the co-operative movement which has been assigned to play a central role in the economic development of the country. In implementation, of its own policy of developing the Co-operation Sector, it behoves the Government to provide the requisite wherewithal for promoting the schemes of co-operative training and education. It is also necessary that the co-operative movement itself should find resources to finance the various schemes of training and education. The Bombay State has already shown the way by levying an educational cess out of net profits of a society under certain circumstances and subject to certain conditions. The payment of this levy is correlated to the rate of dividend payable on shares out of net profits. The Reserve Bank is already financing the schemes of training in co-operation, of officials of the State Co-operative Departments and of men holding key positions in co-operative institutions, on lines indicated in subsequent paragraphs :

PART II

ARRANGEMENTS FOR CO-OPERATIVE EDUCATION AND TRAINING IN INDIA

1. **Preliminary Review of Activities** :—Various Committees on Co-operation have emphasised from time to time the importance of co-operative education and training as an essential step to place the co-operative movement in the country on

a sound footing. The Royal Commission on Agriculture was of the opinion that the only remedy for the unsatisfactory and uneven state of the co-operative movement was patient and persistent education of the members of co-operative societies in the principles of co-operation by competent teachers under adequate supervision. Sir Malcolm Darling, in a confidential note submitted in 1938, also drew pointed attention to the fact that no province had attemped systematic teaching of the members of co-operative societies and that its failure was certain in the absence of training and teaching. In many States of the Indian Union, in the past, there existed no training facilities at all. In others, while some facilities for the training of intermediate and subordinate staff existed, there were no arrangements for training of senior personnel. Such arrangements as existed for intermediate and subordinate staff were for the large part defective in one way or another. Besides, they were confined to departmental staff only and there was no uniformity also in the period of training nor was the quality of the teaching staff good. In these circumstances, it was hardly surprising to find that the co-operative movement could not properly develop and progress on orderly lines. The dearth of trained personnel came to be increasingly felt with the increase in the scope and scale of expansion in the movement in various ways. In the first place, there was the urgent problem of reorganization of the movement in areas where it was relatively undeveloped, or was in doldrums. Any reorganization meant a large number of trained staff to administer and manage the co-operative institutions in such areas. Secondly, in those States where the co-operative movement had been thoroughly established and where certain arrangements did exist for training the official and non-official staff, the growing volume of co-operative activity and an increase in the number and variety of societies brought to the forefront the lack of adequately trained personnel, with the result that training of an adequate and qualified personnel to man the movement at all levels became an urgent necessity. Thirdly, the declaration of a Co-operative Socialistic Commonwealth as the objective of State policy and assignment of a vital role to co-operatives in the First and Second Five-Year plans added a new urgency

and importance to the need for providing trained co-operative personnel in adequate numbers. Hitherto the arrangements were not up to the standard required in most of the States because of various handicaps imposed on them. These handicaps were on account of lack of necessary finance, lack of teaching staff of the requisite calibre and lack of well-developed co-operative institutions for imparting practical training. Steps had, therefore, to be taken in the circumstances to provide theoretical and practical training to officials of all levels, higher, intermediate and subordinate, and to find out competent and experienced teaching staff for the purpose.

2. The problem of training the officials in the various States: An informal conference was convened by the Reserve Bank of India in 1951 in order to review the role played by the Reserve Bank in the sphere of rural finance. In pursuance of the recommendations of this Conference, a study of the co-operative movement in the various States was undertaken. These studies disclosed that the paucity of trained personnel was acting as a drag on the pace of expansion of the movement in many States. A few States were in a position to undertake and run a training scheme of their own for reasons already set forth. It was against this background that the Reserve Bank of India formulated an All-India Co-operative Training Scheme for the training of personnel of co-operative institutions as well as of Co-operative Departments and organized two types of courses at the Co-operative Training College, Poona,–run by the Bombay State Co-operative Union–, a short course of six months' duration for training higher personnel, viz., the senior officials of the Co-operative Department and key personnel of co-operative institutions and a long-term course of twelve months for training intermediate personnel. Under 'higher personnel' were included officers such as Assistant Registrars, District Co-operative officials, Secretaries and Managers of Apex Banks and Central Financing Agencies, while under 'intermediate' category were included all those who were a step lower in the rung. The entire expenditure of the personnel to be trained under these two schemes was met in the initial stages by the State Governments that deputed the candidates, while the Reserve

Bank subsidised the cost of the teaching staff and met other incidental expenses of the College. Later on, the whole bill as indicated in a subsequent paragraph is being met by the Reserve Bank of India. The training for higher personnel consists of four months of theoretical instruction at the College followed by two months of practical training in the field. The intermediate course of training for twelve months consisting of two terms was meant for personnel such as Sub-Registrars, Sub-Auditors, Sub-Deputy Registrars, Inspectors, Secretaries of Urban Banks etc. During 1952-54, two long-term courses and four short-term courses were held under the scheme, and as many as 68 persons were trained in the former and 76 in the latter. The Reserve Bank had to meet the initial cost annually at Rs. 50,000/- in the form of subsidies. Even at the time when the All-India Scheme of training was sponsored at Poona, it was clear that only one training course for the country producing about forty trained candidates would not be sufficient to meet the requirements of trained personnel of State Co-operative Departments and Co-operative institutions. The scope for expansion of the movement being great, it was evident that more staff would be entertained by the movement and it was also felt that adequate arrangements for training the staff coming into the movement should be organized. Hence the Government of India and the Reserve Bank jointly constituted a Central Committee in November 1953 for formulating plans and directing arrangements in respect of the training of the personnel of the State Co-operative Departments and Co-operative Institutions in several States at all levels. It was also decided that the secretarial work of the Committee should be entrusted to a special section in the Agricultural Credit Department of the Reserve Bank of India.

3. **Salient Features of the Scheme evolved:** The Committee held its first meeting in December 1953 and finalized an integrated scheme for training employees of co-operative institutions and Co-operative Departments in the country. The broad features of the scheme covering all levels of employees of co-operative institutions and State Co-operative Departments were to be as under:—

(1) Persons to be trained were to be classified as 'higher', 'intermediate' and 'subordinate'.
(2) The existing Centre at Poona was to be expanded into an All-India Centre for the higher personnel.
(3) Eventually five Regional Training Centres for the intermediate personnel should be established (including one at Poona).
(4) Subordinate staff were to be trained in one or more Schools in the State.

The Committee defined the various categories of officials as below:—

(i) **Higher:** Officers in charge of direction, control or audit, at State, Divisional (two or more districts) or District level, would qualify for inclusion in the higher category.
(ii) **Subordinate:** Those at the lower cadres, (e.g., Sub-Auditors, Supervisors, clerks, salesmen and accountants) would be classed as subordinates.
(iii) All others would be 'intermediate'.

The Reserve Bank undertook to bear the expenses in regard to the higher and intermediate training centres, while the Government of India agreed to subsidise the subordinate training schools which were established by the States. The Central Committee is to act as a Committee of the Reserve Bank in so far as the training of the higher and intermediate personnel is concerned and as a Committee of the Government of India in respect of the training of subordinate personnel. The Committee also agreed that the education of non-official personnel such as members, directors, panchayatdars of co-operative societies, was also to be undertaken, but reliance was to be placed on non-official agencies with a nucleus of a paid staff. It was expected that the All-India Co-operative Union would be able to take up the work in close collaboration with the Central Committee.

4. **The Senior Officers' Training Course at Poona :**—For training the higher personnel the existing facilities at Poona were expanded so as to provide training for about 35 to 40 candidates every six months, as against 40 candidates in a year, hitherto

trained. The first course of the newly expanded scheme commenced on 4th June 1954 (being fifth of the Series), and it came to a close on 3rd December 1954. At present the Senior Officers' Training Course conducts two sessions in every thirteen months. Theoretical instructions are given for four months in the following subjects:—

(A) **Compulsory Subjects:**

(1) Co-operative Law.
(2) Co-operative Administration.
(3) Co-operative Banking and other forms of Co-operation.

(B) **Special Subjects** :—Besides these, facilities for specialization are available in one of the following subjects:—

(1) Banking.
(2) Agricultural marketing with reference to co-operative marketing of agricultural produce.
(3) Industrial co-operation including village, cottage and small-scale industries.
(4) Co-operative Administration.

The syllabus is based on the assumption that the officer-trainees possess sufficient knowledge of the theory and practice of co-operation in so far as their own State is concerned. Seminars are a regular feature of the trainees. Lectures are delivered by distinguished co-operators on practical aspects of banking, co-operative marketing etc.

5. **Practical Training**:—Practical training lasts for a period of two months. It includes visits to flourishing co-operative institutions in the Bombay State for one month and for another month in Madras. The tours are generally arranged in the third and fifth months of the course. During these tours of observation, trainees study the working of Central Co-operative Banks, State Co-operative Banks, Central Land Mortgage Banks, important commodity exchanges in Bombay such as the East India Cotton Association and the Bombay Oil Seeds Exchange. Ltd. Other important co-operative institutions, the Agricultural

Credit Department of the Reserve Bank of India, and the Aarey Milk Colony. In addition to these the trainees were also given an opportunity to study the working of commercial banks and co-operative banks and familiarise themselves with the office routine in the Office of the Registrar and Additional Registrar, I.C. & V.I., at Poona.

6. **Concessions given** :—The candidates undergoing training are given the following concessions:—

(1) Free tuition.

(2) Single First Class fare for railway journeys to and from the training centre and on study tours connected with practical training.

(3) Mileage at one anna per mile for journeys performed by road provided the journey exceeds five miles.

(4) Actual bus fare from residence to railway station and from railway station to hostel, at the time of joining the Centre or leaving it.

(5) Rent-free lodging while at the Training Centre.

(6) Monthly stipends to meet part of the cost of the boarding. Candidates are paid Rs. 75/- per month, while at the Training Centre, and Rs. 150/- per month while on tour.

7. **Regional Intermediate Training Courses** :—As regards the training of the intermediate personnel, the Committee decided that eventually there should be five Regional Centres including the one at Poona and one each for the Southern, Western, Eastern, Northern and Central Zones. The distribution of these Training Centres is given Statewise as under:—

Training Centre.	Name of the Zone and States included in the Zone.	Date of commencement of the Centre.
1. Poona.	Western : Bombay, Madhya Pradesh, Sourashtra and Cutch. (Enlarged Bombay State)	1st June 1953. (As Intermediate Course sponsored by Reserve Bank)
2. Madras.	Southern : Madras, Andhra, Mysore, Hyderabad, Travancore-Cochin and Coorg.	1st July 1954.

Training Centre	Name of the Zone and States included in the Zone	Date of commencement of Centre.
3. Ranchi.	Eastern : Assam, Bihar, Orissa, West Bengal, Manipur and Tripura.	14th October 1954.
4. Meerut.	Northern Zone : U. P., Jammu and Kashmir, Punjab, Delhi, Hamachal Pradesh and Pepsu.	16th January 1956.
5. Indore.	Central : Madhya Bharat, Rajasthan, Bhopal, Ajmer and Vindhya Pradesh.	16th January 1956.

8. Courses of Study :—The period of training at the Poona Centre for the intermediate course lasts for a period of twelve months. It consists of nine months of theoretical instruction followed by three months of practical training including one month of tours of observation. Courses conducted at other Regional Training Centres are for a period of eleven months consisting of 6½ months of theoretical training and 4½ months of practical work in the field. The subjects taught at all the Centres are:—

(A) Compulsory Subjects:—
- (1) Theory, History and Practice of Co-operation.
- (2) Co-operative Law.
- (3) Banking.
- (4) Book-keeping and Accountancy.

(B) Optional Subjects:—

At Poona, Ranchi, Meerut and Indore Centres,
- (1) Advanced Accounting and Auditing.
- (2) Co-operative Banking including land mortgage banking.
- (3) Agricultural Marketing.
- (4) Industrial Co-operation including Village Cottage and Small-Scale Industries.
- (5) Detailed working of co-operative societies and

that of the Co-operative Department. (At Poona only).

(C) The following are the Optional Subjects taught in the Madras Centre :—

(1) Co-operative Banking,
(2) Land Mortgage Banking,
(3) Co-operative Audit, including Departmental Set-up.
(4) Agricultural Marketing.
(5) Industrial Co-operation (including Village, Cottage and Small-scale industries).

Diplomas are awarded to successful candidates on the results of the examinations held both during the course and at the end of it at the Poona Centre, while in other centres, diplomas are awarded on the results of the final examination held at the end of the course, though weekly or fortnightly tests are held. The practical study at present is made by visiting successful co-operative institutions in the State where the centre is located and in Advanced States also like Bombay and Madras. As the trainees from various Centres visit the same institutions in Bombay and Madras frequently, too much strain is put on the institutions concerned, and there is need, therefore, for selecting institutions which are flourishing ones and which are, therefore, worth visiting in other States. It has also been felt for some time that the balance between theoretical and practical training imparted in these Centres has been tilted in favour of theory and the question of how to equip the trainees for the jobs they would be put on after completion of the training is still engaging the attention of the Central Committee for Co-operative Training and Education.

9. **Concessions for the Intermediate-Course Trainees** :— Candidates undergoing training in these Centres for the Intermediate Course are given the following facilities :—

(1) Free tution.
(2) Payment of travelling allowance: Single II Class fare for railway journeys to and from the Training

Centre and on tours connected with the practical training.

(3) Actual bus fare from residence to railway station and from railway station to the hostel at the time of joining or leaving the centre.

(4) Milage at the rate of one anna per mile for journeys performed by road, while under practical training, provided the journey is over five miles.

(5) Rent-free lodging while at the training centre.

(6) Monthly stipends to meet payment of the cost of boarding; A stipend of Rs. 50 per month while at the Centre and a stipend of Rs. 120 per month while on tour for practical training outside the centre.

10. **Management of the Centres** :—Subject to the policies and specific decisions of the Central Committee for Co-operative Training or its Standing Sub-Committee, the management of each Centre vests in the Local Committee. It generally consists of the following persons :—

(1) One or more Registrars of Co-operative Societies in the States, included in the particular zone.

(2) One or two non-officials.

(3) One educationist.

(4) The Member-Secretary of the Central Committee for Co-operative training and Education.

(5) The Principal of the Training Centre who will also be ex-Officio Secretary of the Local Committee.

In so far as the Poona Centre is concerned, it continues to be managed by a College Committee, which is a Sub-Committee, of the Executive Committee of the Bombay State Co-operative Union on which the Chief Officer of the Agricultural Credit Department of the Reserve Bank of India is a co-opted member.

11. **Organization of Specialised Courses** :—The Informal Conference of some Registrars and Principals of Training Centres held in August 1955 considered that in view of the large anticipated demand for trained personnel, special short-

term courses in subjects like land mortgage banking, co-operative marketing, and warehousing, co-operative farming, industrial co-operatives, should be organized. In pursuance of the directives of this Conference, the Standing Sub-Committee of the Central Committee for Co-operative Training and Education decided in 1956 that to begin with, special courses in land mortagage banking and co-operative marketing should be organized at the Regional Training Centres at Madras and Poona respectively. The first special course in co-operative marketing was accordingly held at Poona from 15th February 1956 for a period of four months as a pilot course, so that such courses could be arranged in other centres in the light of the experience gained in Poona. The period of training consisted of two months of theoretical training and two months of practical training.

12. Training of Block Level Co-operative Officers of the N. E. S. Organization :–

As a result of discussions with the Ministry of Food and Agriculture and the Community Projects Administration, the Central Committee felt that the training of personnel required by the N.E.S. blocks and the Community Projects should be trained on a special plane of urgency, as the training imparted in the Regional Training Centres being found unsuitable for the specific purpose of co-operative work in National Extension Blocks. It was also estimated that about 4000 officers would be needed in the succeeding five years and that about 700 to 800 would require to be trained every year. It was, therefore, decided to open eight Training Centres in the country with the financial assistance of Rs. 53 lakhs made available for the purpose by the Government of India for a five-year period. A sum of Rs. 20,680/- was also sanctioned by the Union Government for holding a Refresher Course for one month for the teaching staff of these Training Centres. A Statewise distribution of these Centres together with the places where they are located is indicated in the following statement.

Place where the Centre is located.	Name of the States.	Annual requirements of Staff to be trained.	Date of commencement of the Centre.
Gopalpur-on-Sea.	(1) Bihar	89	15th Oct. 1956.
	(2) Orissa	33	
Hyderabad-Dn.	(1) Hyderabad	40	17th Oct. 1955
	(2) Mysore	20	
	(3) Tr.-Cochin	20	
	(4) Coorg	1	
Tirupati.	(1) Madras	75	25th January 1956
	(2) Andhra	46	
Kotah.	(1) Bhopal	1	21st January 1956
	(2) Vindhya Pradesh	17	
	(3) Madhya Pradesh	16	
	(4) Ajmer	1	
	(5) Madhya Bharat	10	
	(6) Rajasthan	33	
Bhavnagar.	(1) Saurashtra	9	20th February 1956
	(2) Bombay	70	
	(3) Cutch	1	
Dhuri.	(1) Punjab	28	1st May 1956
	(2) Himachal Pradesh	1	
	(3) Pepsu	8	
	(4) Delhi	1	
	(5) Jammu & Kashmir	7	
Faizabad.	(1) Uttar Pradesh	135	1st June 1956
Kalyani.	(1) West Bangal	48	1st June 1956
	(2) Assam	21	
	(3) Manipur	1	
	(4) Tripura	1	
	(5) NEFA	2	

13. **Management of Centres** :—The management of a centre vests in the Local Committee as in the case of a Regional Training Centre subject to such policies and instructions as may be laid down by the Central Committee for Co-operative Training. The Local Committee in charge of a Centre will generally consist of the following persons :—

(1) The Development Commissioner of the State where the Centre is located.

(2) One or more Registrars of Co-operative Societies.

(3) An educationist member.
(4) One or more non-official members.
(5) The Member-Secretary, General Committee for Co-operative Training.
(6) The Principal of the Centre would be Ex-Officio Member-Secretary.

14. **Type of Personnel to be trained:**—The Officer-in-charge of an N.E.S. Block has to be more of a specialist devoting his time to co-operative problems within his area, and capable of supervising and guiding the work of people below him, in all branches of co-operative activity. The personnel will be selected by each State Government in accordance with its requirements and placed in the appropriate cadre or rank corresponding more or less to the intermediate category of personnel in the Co-operative Department.

15. **Course of Study** :—Theoretical study comprises :—
(1) Theory and Practice of Co-operation (recent developments).
(2) Co-operative Law.
(3) Co-operative Banking.
(4) Book-Keeping.
(5) Accountancy and Audit.
(6) Rural Economics and Rural Development.

16. **Practical Training** :—The practical course of training concentrates on the operational aspects of the officers' duties and the working of co-operatives. The training, 'therefore, consists of tours of observation and visits of participation. It is necessary for a trainee to stay at least for two weeks at a time in an institution and actually participate in his work. Time will be devoted in studying the working of primary societies, purchase and sale unions, co-operative central banks, land' mortgage banks and industrial co-operatives. Trainees will be divided into sizeable batches, each batch not exceeding about 10 trainees under the guidance of a practical Instructor. The services of the local officers of the Co-operative Department would also be utilised for the purpose as well as non-officials, if any are available.

17. **Privileges enjoyed by Trainees** :—The trainees will be given the following privileges or concessions :—

(1) Free tuition.

(2) Rent-free quarters while at the Training Centre.

(3) A stipend of Rs. 50/- each per month.

(4) Travelling allowance would be paid while joining or leaving the Centre.

(5) Travelling expenditure for going home and coming back during the inter-term vacation.

(6) Actual expenditure while on study-tours as per arrangements approved by the Central Committee.

18. **Training of Subordinate Personnel** :—As regards arrangements for training the subordinate personnel, the Central Committee for Co-operative Training, at its second meeting held in July 1954, finalized a scheme which was later approved by the Government of India. The Scheme was introduced in the year 1953-54, and its main features are as under :—

(1) Normally each State will have a school which should conduct simultaneously two classes of 40 students each in a year of two sessions, each session lasting for a period of six months, while some States like Bombay, Madras, Andhra, Uttar Pradesh may require more than one school. Small States may have to be grouped with other States for getting their personnel trained. States where the number of candidates to be trained each year is smaller than the usual strength of 160 but is not expected to be less than 80, may also have a separate school.

(2) The States will normally have to meet the expenditure on the institution, but certain items like the salaries and allowances of teaching staff, stipends to students and their travelling allowances for the educational tours will be shareable items, the Central Government contributing 50% of the expenditure on these items.

(3) The teaching unit for a school conducting two classes simultaneously will consist of one principal and three full-time lectures. The scale of pay of the Principal should be that of an Assistant Registrar in the State and that of the Lecturer at Rs. 200-10-300. Variations in these scales may be made by the States with the approval of the Central Committee.

(4) The trainees may be given Rs. 40/- per month during the period of their training and a travelling allowance of Rs. 60/-, while on tour connected with practical training per candidate per course is admissible.

(5) The Government of India will be prepared to meet 50 per cent. of expenditure on the following items :—

(a) Salary of teaching staff;
(b) Travelling allowance to teaching staff; and
(c) Library.

(6) The Central Government's assistance should not lead to any reduction in expenditure or commitments already made by the State Governments in respect of co-operative training and education. If, however, any reduction in the total expenditure of the States on the training of co-operative personnel is made in these categories, the subsidy of the Central Government will corresponding be reduced.

(7) The grant-in-aid will be subject to the Central Committee being satisfied about uniform standards to be maintained by the institutions in regard to the subject taught, syllabus prescribed, periods of study, and examinations to be conducted.

19. **Opening of New Schools or Reorganization of Existing Ones :**— The following tables indicates the States where the new Schools were opened or the existing ones were reorganized:—

Name of the State.	*Date of Opening.*
(a) *New Schools :*	
(1) Rajasthan.	1-4 -1955.
(2) Madhya Bharat.	1-7- 1955.
(3) Saurashtra.	1-7- 1955.
(4) Vindhya Pradesh.	1-9- 1955.
(5) Hyderabad.	4-10-1955.
(6) Madhya Pradesh.	1-10-1955.
(7) Coorg.	1-10-1955.
(8) Pepsu.	2-1- 1956.
(9) Travancore-Cochin	1-11-1955.
(10) Mysore.	1-6- 1956.
(11) Himachal Pradesh.	15-7-1955.

(b) *Reorganization of Schools* :

(1) Madras (3 Schools).

(2) Andhra (3 Schools). 1-7-1955.

(3) Bombay (3 Schools). Sept. 1955.

(4) Bihar (one existing school and one new). 15-9-1955. 2-4-1956.

(5) Punjab. 1-9-1956.

(6) Orissa. 11-7-1955.

20. Supervision over the Subordinate Schools :—The supervisory control over the working of the Schools is vested in the Central Committee for Co-operative Training, while the Registrar of Co-operative Societies of the State where the school is located is responsible for the proper maintenance of accounts in the school. Officers deputed by the Central Committee would also inspect the training arrangements, standards of teaching and audit the accounts, wherever necessary.

21. Training of Non-Official Personnel of the Co-operative Movement :—Enough has already been said regarding the need for training of officer-bearers and members of societies. The All-India Co-operative Union had submitted a scheme in respect of the training of non-official personnel of co-operative societies as early as 1954. This was considered by the Central Committee and it was decided that the scheme might be tried as an experimental measure in order to determine the nature and extent of adjustment that would be needed to make the training more effective. It was also realized that if any scheme of general co-operative education were to be put into operation, the following conditions are basic to it:—

(a) There should be fairly good State Co-operative Unions in the States.

(b) Fairly regular participation of Central Financing Agencies, Marketing Societies, etc. should be forthcoming.

(c) The existing Co-operative Centres should be utilised to the fullest possible extent.

The All-India Co-operative Union should be a Co-ordinating or an Advisory Body. For the purpose of working the scheme, it was necessary to divide the States into three categories as follows:—

(1) Those where State Co-operative Unions exist, and function effectively.

(2) Those where no State Unions exist at present but can be started later, and an *ad hoc* committee being established in the meanwhile as the precursor of a later Union.

(3) Because of smallness of size or any other reason, there is no need for the organization of a State Union.

The needs of training would also be in three stages:—

(a) Reorientation of the present policy and practice of co-operation.

(b) A course of training designed to acquaint the members of the Committee with the nature of their duties; and

(c) Businesslike training of elected office-bearers such as Secretaries, Managing Directors, stipendary or honorary, in the requirements of their specific jobs.

The All-India Co-operative Union submitted a revised scheme under which six mobile training units—two in Bihar, two in Saurashtra, one in Madhya Bharat and one in the Delhi State—were to operate in the first year. In the second year, one more unit was to be added. In the light of the expansion of general co-operative activities in the areas, three more Units, one in each State, might be added.

22. **Recommendations of the Second Conference of State Ministers held at Mussoorie, 1956:** In order to ensure that the co-operative movement is actively supported by the people as well as by all sectors of the Government organization, the Conference recommended that the following steps should be taken:—

(1) The highest authorities of Government, both in the States as well as in the Union, should on appropriate occasions declare the whole-hearted support of their Governments to the co-operative programmes undertaken in pursuance of the various schemes in the Second Five Year Plan.

(2) The great importance of co-operative activity at all levels should be recognised by inclusion of co-operative workers in all bodies connected with planning and development from the national down to the village level.

(3) The annual celebration of Co-operative Week should be considered a programme for the Government of India, the State Governments and for all official and non-official co-operators.

(4) Suitable information about co-operative programmes and developments should be made available to the press in a manner which will attract public attention.

(5) A comprehensive programme of educating villagers in the principles and responsibilities of co-operative organisation should be undertaken as a part of the general effort for their education in planning and development.

(6) The education and training of non-official members, office-bearers and honorary staff of co-operative institutions should continue to be undertaken under the guidance and with the assistance of the All India Co-operative Union by State Co-operative Unions at State level through the agency of Unions or Union branches set up at the district level.

(7) In the training of non-official personnel, it is essential to emphasze the moral and social importance of the co-operative method as well as the necessity for an efficient discharge of the responsibilities that devolve on co-operative institutions.

(8) With a view to initiate the younger generation into the great significance of the co-operative pattern of society, suitable lessons should be included in their normal school literature. They should also be encouraged to have co-operative institutions in their schools and they should be brought into touch with local co-operative activities, such as the working of important co-operative institutions and the sessions of co-operative conferences, seminars, etc.

(9) For co-operative work among women, besides the

normal efforts at popularising co-operation for all, special contacts should be built with social welfare and women's organisations working in the field of development.

(10) In view of the importance of non-official education generally and of the creation of a climate favourable to the success of the plan, it is desirable that financial assistance on an adequate scale should be forthcoming from the Union as well as the State Governments.

(11) Suitable literature, especially literature which will be appropriate and useful in village areas should be produced and should be made available in all the villages by organising a library service to be operated through co-operative institutions in each district and sub-district.

2. (a) *Large-sized societies.*—The staffing of the large-sized primary societies at the beginning should be done from among personnel which has already been trained and which possess co-operative experience. In the meanwhile, the number of trainees which are at present, being trained in the subordinate training institutions, the number of which is being immediately augmented by 10, is generally sufficient to meet the estimated requirements connected with replacements caused on account of opening of large-sized societies as also of new appointments in connection with programmes of expansion.

(b) **Primary Marketing Societies** :—The number of primary marketing societies which it is intended to open is not precisely known. It is, however, clear that the continuance of the two courses, one in Poona and one in Meerut, over the next few years will be fully necessary. As soon as the State Governments are in a position to specify their requirements, steps should be taken to increase the number of courses in co-operative marketing at other centres of intermediate training.

In designing the course of instruction, the specific requirements of each society, in respect of the commodities that it

deals in and of the particular functions that it will discharge, should be taken into account.

Particular care should be taken to ensure that the trainees receive practical training and experience not only in the co-operative aspects of their business but in all other essential features of the trade as well. For this purpose, suitable contacts should be established with firms which are doing business of a similar character.

(c) **Supervisory Staff** :—The provision 'at present made in the five regional centres meets the present requirements of co-operative institutions and such of their expansion programmes as would need additional staff during the current year. It is, however, estimated that with the increased rate of expansion, about 50 per cent. more than can be turned out by the existing courses at the five regional centres will be needed. To ensure that this supply is available in time, the number of courses at present given in at least some of these will have to be doubled.

(d) **Administrative, Supervisory and Audit Staff** :—In most States, this staff is trained along with staff needed for co-operative institutions and the programmes for its training are included in the general training programmes.

(e) **Training of Collectors, B.D.O's and S.D.O's**:—As the co-opertive method is intended to play a vital role in the working out of the various plans, it is desirable that in the schemes of training of all officials, some account of the co-operative method as well as of the co-operative programmes should be included. The role that the Collectors, the B.D.Os. and S.D.Os play in working out of development programmes in rural areas is so vital that for these officers a brief course, say, of about a fortnight should be considered essential before they embark on their respective responsibilities.

3. Steps necessary for starting training courses for warehousing and agricultural producers co-operative societies :—

(a) The training for warehousing personnel will ulti-

mately have to be organised in co-ordination with the All-India and State Warehousing Corporations when they are set up. If, at the initial stage, training of a nuclear personnel is considered necessary a course providing for the specific requirements of that personnel should be prepared and should be started in close co-operation with the expert staff available with the Government of India.

(b) For personnel required for the operations of co-operative farming societies, suitable courses will have to be designed in the light of the pattern of such societies, which it is intended to adopt in each State. After further particulars about the number and pattern of such societies proposed to be started in the current and the next year are known, an appropriate course will have to be framed and it will have to be located in as many of the regional centres as necessary. In the working of these courses, a close co-operation should be maintained with institutions and agricultural training in so far as the peculiarities of cultivation in each area may influence problems of management and supervision.

4. What action should be taken so that both the reorganised and newly set up Co-operative Institutions are fully manned by trained personnel.

(a) The co-operative institutions and other institutions such as the Reserve Bank connected with the working of co-operatives should as a normal part of their inspection and supervision insist on institutions equipping themselves at the earliest possible time with a suitably trained staff. In fact, the considerations that determine the relative classification of societies include their having an adequate number of trained personnel.

(b) While the training of the entire staff the existing institutions will take some time, the feasibility of instituting a State-wise cadre of co-operative staff possessing adequate qualifications, having reasonable

conditions of service and operating over the entire State should be immediately explored. In some States a beginning has already been made to organise a similar cadre through a Committee representative both of the Department and of Co-operative Institutions. The agency to administer the cadre may, however, vary from State to State.

5. **Selection of Candidates** :—In the selection of candidates for co-operative institutions working in rural areas as well as for departmental work involving close contact with villagers, care should be taken to take only such people as on the results of a suitable test are found to possess the requisite physical, psychological and social qualities necessary for success in a job, which essentially has a rural background and a rural purpose.

6. **Personnel** :—In view of the crucial stage of expansion through which plans of co-operative development are passing at present, it would be desirable to reiterate as follows, the substance of resolutions on the subject of personnel passed at the first Session of this Conference and at the Conference on Marketing and Co-operation held in Hyderabad in November, 1955.

(1) To encourage qualified and suitable men to join the department, the terms and conditions of service in the Co-operative Department should be on par with those of employees of other major departments.

(2) In making the postings of departmental staff, the following considerations should be kept in view :—

(i) In view of the crucial significance of the programme of co-operative development, the superior personnel should be kept in their posts for at least three years and preferably for five years. To ensure this it may be necessary in some cases to compensate the incumbents for any pecuniary loss that they might be put to by missing their normal turns of promotion.

(ii) After they are appointed, such among them as have no previous co-operative experience, should have a special orientation course.

CHAPTER XXIV

ACHIEVEMENTS, WEAKNESSES AND LIMITATIONS OF THE CO-OPERATIVE MOVEMENT

It would seem proper in concluding the first part of this treatise on theory and practice of co-operation to attempt an estimate of the achievements of the co-operative movement and to allude briefly to its weaknesses and finally to call attention to the factors that limit its expansion. When we refer to the co-operative movement, we generally have in mind the consumers co-operative movement, which has now embraced a wide range of activities leading to the satisfaction of the primary wants of all consumers including not only the distribution of a great variety of commodities and services but also activities connected with the production of goods as well needed for use. The consumers co-operative movement has spread in some form or the other throughout the cvilized world and beyond. With the great expansion of the co-operative movement consumers co-operatives have been able to secure for their members not only the economies of large-scale purchasing and distribution but also by entering production, they have enabled their members to obtain supplies practically at cost price. In England the Rochdale Pioneers confronted by the problems of low wages for the industrial workers and high prices of goods established a co-operative store. Their first object was to evolve arrangements for the pecuniary benefits of its members as well as their improvement of social and domestic conditions by raising a sufficient amount of capital. Great Britain is one of a few countries where the consumers co-operative movement is highly developed. In 1949, it had 1,024 retail societies with a total membership of 1,04,13,618. The total paid-up share capital of these societies amounted to £ 238451415, the average per member being £ 22.9 and the aggregate of small savings stood at £ 6077328. 3,50,000 people were employed by the co-operative movement. The shops, bakeries, mills and factories are to be seen in all parts of the British Isles. Every English city boasts of the co-operative stores which are in most cases the largest and the best. The figures given above indicate

how the consumers co-operative movement in Great Britain has been responsible for mobilisation of the savings of small men, in addition to their normal trading activities. Consumer co-operatives have also been found elsewhere to undertake savings activities with a view to encouraging the habits of thrift among their members. Some idea of the position attained in this respect of the largest consumers co-operative in the U.S.A., viz., the Consumer Co-operative Association, Kansas City Missouri and the Midland Co-operative Wholesale, Minneapolis, Minnesota, would be of interest. In 1948 the C. C. A., for example, had 1195 co-operatives affiliated to it whose total assets were worth $ 40524000 with share capital totalling $ 25347000 and net savnigs of $ 21883000. In the same year the M.C.W. had 480 co-operatives affiliated to it, with total assets aggregating to $ 15896000 with a share capital of $ 8755000 and net savings of $ 5304000. The savings thus effected are considerable no doubt but these are not the only economic benefits that the consumer co-operatives have conferred on their members and the public. Wherever the consumer co-operative societies have taken root, they have been found to prevent short weight, adulteration and many other mal-practices of the trade, which are at the expense of the consumer. The following is the list of the economic advantages of the consumer co-operatives:—

(1) A more equitable distribution of wealth is brought about because through the mechanism of patronage refund, dividends are accumulated and paid in proportion to one's purchases.

(2)The breaking up of the monopolies and combinations found in capitalistic business is facilitated through the establishment of the consumer co-operatives, as alternative sources of supply are made available to the consumers.

(3) By giving the working class people better services and quality goods for their money, consumers co-operative stores do increase their purchasing power.

(4) More emphasis is placed on the production of goods for the satisfaction of human needs rather than on the acquisition of profits for the few in satisfaction of individual greed. Production for use is thus encouraged in place of production

for exchange. Thus motive for profit in industry or business is replaced by motive for service to humanity.

(5) Through the device of patronage refund, the larger the working man's family and the more the members of such family eat, the more they save.

(6) The simplification of the distributive machinery is brought about by eliminating unnecessary middlemen whose turnover of business is too small, by removing mal-practices such as dishonest advertising high pressure salesmanship, etc., and by eliminating fraudulent practices such as short weight, adulteration, mislabelling and wrong packaging.

(7) A proper balance is struck between supply and demand of goods on account of certainty and regularity of the consumers' market and of avoidance of speculation.

(8) The stabilization in the employment position is attained as a result of the conditions of stability and certainty in business brought about by regularity of demand for goods.

(9) As the relations between the employer and the employee improve under co-operative employment, the class struggle between labour and capital which threatens natural peace under capitalism is avoided and peace is promoted.

(10) The consumer co-operatives educate the mass of their members in a correct spending of their money and help them in the acquisition of correct financial habit by dissuading them from buying on credit.

The most important element in the consumers' co-operative movement is not its vast trade or capital resources, though they are no less significant, but in social service to its own members and the general public. It has been responsible for a peaceful revolution in both the economic and social spheres. Below is given a list of advantages in the social sphere.

(1) The practice of the principles of co-operation teaches the people to be thrifty, self-reliant and industrous. It enables them to shape their own economic life by instilling in them a sense of confidence that they can themselves be the architects of their own destiny.

(2) Participation in the affairs of a co-operative society promotes a spirit of mutual help and a sense of brotherhood

readiness for self-sacrifice in the interest of the community. It also promotes team work which would also be very useful for building up a new socio-economic order.

(3) Co-operation takes its stand on the fact that private property is good and favours its extension among as many people as possible. Thus the practice of the principles of co-operation materially assists in the advancement of individual and social welfare by giving each man the right and the ability to own such property.

(4) Co-operation is a principle of national and international peace, and the practice of co-operative principles on a large-scale by the people serves to remove the seeds of conflict amongst groups of people in a country and the seeds of war amongst the nations of the world. Once the people get the habit of working together for the realization of common ideals, it is a great bulwark against class war and international conflict. Co-operatives, whose operations know no national borders or frontiers promote international amity and concord, ultimately pave the way for the creation of a Co-operative Commonwealth of Nations.

(5) Last but not the least in importance is the service rendered by co-operatives to people to enable them to fight statism, as co-operation is the strongest bulwork against statism. Statism implies that the people can do nothing to keep themselves and hence it is natural for State to control all wealth, own and operate all means of production. As against this principle, co-operation teaches people to rely on their own efforts and do things themselves and not let the State do it for them. In so far as the production of wealth and the satisfaction of human needs are concerned, co-operation insists that the people should look to themselves and not let others do the things which they themselves can undertake satisfactorily.

(6) Co-operatives encourage a new spirit in industry and social life and replace competition by co-ordination. They make the welfare of all the aim of each and give to trade and commerce a moral basis. Ultimately, the standard of life is sought to be raised through co-operative effort.

(7) The practice of the principles of co-operation has a moral effect on the people and co-operation has made the

members better citizens. They also become better electors, honest businessmen and more enlightened citizens.

2. **Educational Benefits** :—Before education came to be recognized as the responsibility of the State, consumers co-co-operatives were carrying on class work in commercial, scientific and general subjects, in addition to providing libraries, clubs and news rooms. In the small industrial towns and large villages of Great Britain, much of the social life of the working classes centres round the lectures, concerts, etc., organized by the local retail societies. Vast sums of money are also given by societies annually to hospitals, convalescent homes, scholarships, church organisations, benevolent institutions and other charitable causes, both in war and peace. It would be interesting in this context to refer to the inaugural address of the President to the British Co-operative Congress held in 1943, as it contains a re-statement of fundamental ideals of the consumers co-operative movement which have been sought to be implemented so far, but it has not been possible to translate them fully into action. These ideals are :—

"(1) The ideal of members satisfying their own needs as consumers and producers.

"(2) The ideal of introducing a new spirit into industry and social life.

"(3) The ideal of making industry the servant of man, instead of his master.

"(4) The ideal of introducing into industry the sweetness of co-operation in place of jealousy, rivalry and vicious competition.

"(5) The ideal of making each man's good the responsibility of all and the welfare of all the objective of each.

"(6) The ideal of imparting into trade a moral basis and making a joint co-operative effort to raise the standard of life in all its phases, instead of the economic struggle.

"(7) The ideal of making 'service' and not profit the aim of industrial organisation."

In the spheres of agriculture small-scale cottage and village co-operation are not less pronounced; the beneficial effects of

credit co-operatives on agriculture may be classified under several heads—economic, social, moral and educational :—

(a) **Economic benefits of Credit Co-operation.**—The main problem the co-operative movement had to face in the field of agriculture was the problem of credit, because agriculture is a seasonal occupation and a risky one too due to various causes. Credit in the nineteenth century Europe was available in rural areas at the price of usury only, and the moneylender was the only source of credit. To tackle this problem, Raiffeisen tried the idea of Agricultural Credit Association or a village bank which achieved remarkable success in Germany. This Raiffeisen model of credit co-operation has been in one form or another adopted all the world over and is now functioning with varying degrees of success. The economic effects of credit co-operation in the field of agriculture are thus summarised by Henry Wolffe :—"Co-operative credit has brought money to many a spot thirsting for it generally in the right way. In many cases it has replaced insolvency by solvency already attained or else in prospect. There are at any rate hundreds probably thousands who have by the aid of this helpful ally liberated themselves from the usurer's yoke. There are villages in which the Mahajan and the Sowkar now find their occupation gone. The institution has accordingly inspired new hope into the minds of the debt-burdened ryots and opened to them a way to higher existence." Speaking of the economic benefits, Sir Edward Mac Lagan writes: "If we take the question of saving in interest alone, the benefit done has been great and is increasing. We may fairly assume that the saving on each loan given out by co-operative societies to agriculture has amounted to at least 10% and the result is that at a low computation we save the agriculturists of India from an absolutely unnecessary burden of at least 10 lakhs of rupees for every crore of rupees lent out by co-operative societies and the sums so lent out have begun to be counted in crores." Thus co-operation has substituted for the moneylender's finance a system of controlled credit and it has in many places undermined the predominant position of the moneylender, who has been compelled to bring down his rates of interest. In the matter of debt redemption also something

has also been achieved through the establishment of land mortgage banks linked with debt legislation. As thrift institutions, the co-operative credit societies in India and Asia as a whole have been less successful because of the absence of element of thrift in these societies and the members have regarded the societies more as distributive agencies of Government-backed credit. In some of the countries in the West, on the contrary, the savings of members of co-operatives have been considerable, e.g., in Netherlands there were as on 31st December 1949, 1316 agricultural credit societies working on the Raiffeisen model and they had accumulated savings of their members exceeding 2000 million florins and which exceeded the deposits with the other savings institutions, by as much as 150 million florins. In Switzerland there were 891 credit societies at the close of the year 1949 with a working capital of 922 million Swiss francs. In Cyprus there were in 1950 a total of 446 thrift and credit societies, whose share capital was £ 9652, while the deposits and reserve fund aggregated to £ 1281743, and £ 243223 respectively. The position in India, as already mentioned, is in this respect found to be less satisfactory. Owned funds in 1950-51 amounted to 17.26 crores or 42% of the working capital while deposits amounted to only 4.48 crores. There has also been noticed throughout the post-war years a continuous fall in the ratio of deposits to working capital from 14.4 per cent. in 1946-47 to 10 per cent. in 1950-51* The social benefits of credit co-operation to the agricultural community are no less remarkable and are described in the following words of the Provincial Governor:—

"The movement has an undoubtedly appreciable effect in creating solidarity of feeling and a neighbourly spirit and in providing a nucleus of a natural authority to which village disputes can be referred and which may be invoked to justify thrift on occasions where custom demands extravagance. It is in effect calling into existence an articulate public opinion and giving it concrete embodiment in the Panchayat. Further the group system of organization is leading to co-operation between village and village. The Regsitrar with pardonable enthusiasm

* For the latest position in this respect vide page 48 :

looks upon the movement as heralding new corporate village life and even birth of a rural civilization and culture."

Speaking of the educative effects, Wolffe observes : "The Co-operative Credit Movement has already quickened the intelligence of the ryots and awakened their power of thought, understanding of business and a sense of responsibility. They have learnt something and they are showing themselves anxious to learn more. They want to master rudimentary letters to fit themselves for keeping accounts and checking them." Finally, we have the following remarkable testimony of Sir Malcolm Darling, regarding the moral effects of credit co-operation in the Punjab: "Where co-operation rules, litigation and extravagance, drunkenness and gambling are all at a discount."

(b) **Non-Agricultural Credit Co-operation:**—Realising that the need for credit among small producers and tradesmen was as urgent or pressing as it was for the farmer, Shulze-Delitchz advocated the formation of co-operatives for small traders and producers, who by undertaking collective liability could obtain credits which would be denied to them individually. The keystone of this system of credit is the accumulation of capital, and that is why Shulze insisted that a man who joined a society must take up at least one share and the nominal value of a share was also kept at a high figure. These associations known also as 'people's banks' undertook all the activities of urban banking and commanded naturally more capital than the village banks. Organized as they were to meet the credit requirements of persons engaged in various branches of trade and industry, there developed in Germany the German Co-operative Bank, the Edekabank established by co-operative societies of traders in France, the Banque Populaire Swisse (People's Bank) in Switzerland, the Union of People's Banks in Bulgaria, as well as other urban or non-agricultural credit societies in all parts of the world. In India the non-agricultural credit societies promote thrift by attracting deposits of various kinds fixed, current, savings bank and recurring from members and non-members and advance loans on personal security on the pledge of gold and silver, produce, merchandize, life insurance policies and Gov-

ernment Securities, etc. A few of them provide banking facilities of all sorts. In 1955-56 there were 10,003 non-agricultural credit societies having a working capital of Rs. 85.74 crores. Their working capital represented a large amount of deposits viz. 53.54 crores or 62.3 per cent. of the working capital : owned funds stood at Rs. 24.25 crores and were the next larger; of the deposits as much as 29 crores belonged to members. As thrift institutions, therefore, these societies have achieved remarkable success. Credit Unions in Manitoba (Canada) have achieved considerable success and they are a combination of thrift and loan associations. Some idea of their resources could be gathered from the fact that there were in 1950 a total of 135 Unions with 35,315 members each with an average holding in shares and deposits of $ 147.01. The total share capital amounted to $ 3154484, while deposits were $ 2037212. Credit Union development in the U.S.A. is equally striking. In 1948 there were 9329 credit associations with a membership of 37,67,839 and paid-up share capital of $ 60,40.67,072. Reserves in the same year amounted to $ 4,39,77,866.

(c) **Agricultural Non-Credit Co-operation:**—Agricultural co-operatives organized for economic purposes other than credit include societies for joint farming and common cultivation, rural supply co-operatives for the purchase and distribution of agricultural implements, seeds, fertilisers, machinery co-operatives for the common purchase and utilisation of heavy agricultural machinery, dairy, livestock, and poultry co-operatives. There is a special need of co-operatives among farmers for such non-credit co-operation, as it brings to agriculture the advantages of large-scale business by pooling both produce and purchases. A Co-operative Association of Farmers for the joint sale of their produce on co-operative basis performs certain marketing functions which it would be impossible for the individual agriculturist to undertake. It is in this sphere that largest economic benefits to the agriculturist as a small producer are seen. They are listed as under:—

(1) A marketing co-operative eliminates the unnecessary middlemen and thereby enables the primary producer to get a more reasonable share of the consumer's rupee.

(2) An important service which a marketing co-operative performs, when it operates in the wholesale market, is in the direction of stabilizing prices over long periods by adjusting the flow of goods to the market. When it is thus in a position to control the flow of goods, it would be in a position to even out the seasonable fluctuations in prices.

(3) A marketing co-operative plays an important role in making products confirm to the desires of the market. It would persuade its members to grow those varieties of products for which there is a great demand in the market and to grade them before sale. By paying the members according to the quality of products it encourages them to grow better varieties of products.

(4) Because a successful marketing co-operative controls a large volume of a limited supply of agricultural produce, it would be able to secure advantages which mainly arise as a result of its collective bargaining power.

(5) The individual farmer as a small producer has generally no facilities or conveniences to store his produce nearby against the security of which he can borrow at a cheap rate of interest in the absence of a network of lincensed warehouses. By joining a co-operative which works also as a warehouseman, a farmer is enabled to obtain finance at a much cheaper rate of interest than is otherwise possible for him.

(6) A successful marketing co-operative handles a large volume of business as a result of which it is in a position to perform marketing services such as assembling, transporting, storing, pooling, grading, processing, packaging and financing at lower cost. When marketing costs are thus reduced, the producer gets a better return for his produce than it is otherwise possible for him to get individually.

(7) The operation of a marketing co-operative teaches farmers that agriculture is a form of business and the marketing of his produce is closely akin to the problem of production. When farmers themselves undertake the sale of their produce jointly on co-operative lines, the practices which have the effect of reducing the economic value of their products are clearly brought home to them. Thus no factor is so important in the

business education of farmers as their own co-operative efforts at marketing of their produce.

Co-operative activity relating to joint purchase, production and marketing of goods secures for members many of the advantages and efficient services of large-scale enterprise, as already mentioned, and in this way it increases the productivity and incomes of members as well. Some idea of the extent and possibilities of capital investments in agricultural non-credit co-operatives may be had from the fact that in Japan there were, in 1949, 16,505 agricultural co-operatives of all kinds having resources worth several millions of Yen, as shown below :—

Real Estates	7,943 millions.
Investments in kindred Organisations.	1,810 "
Savings or surpluses.	2,662 "
Deposits.	40,101 "
Miscellaneous properties	10,197 "

In Sweden, five Agricultural Federations had a total paid-up share capital of 171.9 million Kronor and the total value of capital invested was 203.3 million Kronor: The number of agricultural non-credit co-operatives in India was 30,268 during the year 1955-56. They sold goods worth Rs. 31 crores and their working capital stood at Rs. 28 crores.

(d) **Industrial Co-operatives:**—Industrial co-operatives or producers co-operatives are associations of small craftsmen and industrial workers who agree to pool their resources or borrow from co-operative banks and agree to set up a common workshop. They are thus able to secure for themselves some of the economies of large-scale industry and undertake production of commodities, which is not otherwise possible for a producer to do in his individual capacity. These organizations are of special significance for the less developed countries which stand in need of industrialisation and lack capital to undertake the same on a large scale. Industrial co-operatives have during recent years made much headway in Bombay and Madras. The following statistics relating to societies for production and sale

in India give an idea of their resources, turnover and capital investments. There were at the close of 55-56, 11,524 societies with a membership of 9.32 lakhs and a paid up share capital of Rs. 985 lakhs. The volume of goods sold amounted to Rs. 23.56 crores and the stock held at the end of the year was worth Rs. 282 lakhs. Thear investments in lands buildings and machi-in lands, buildings and machinery stood at Rs. 46.54 lakhs.

To sum up, in the field of agriculture or elsewhere, there are several achievements to the credit of the co-operative movement in India which are worth mention e.g.:—

Reduction in the rates of interest, the loosening of the grip of the moneylending classes in rural areas, attraction of good lying money into the movement and making it available for agriculturists and others, gradual redemption of old debts, promotion of agricultural industry through the provision of cheap capital, the disposal of produce at fair prices, provision of opportunities for social service for a number of public-spirited workers, creation of co-operative spirit and inculcation of the habits of thrift and of the value of associative action and development of the habit of banking and the educative influence of movement over the community in general.

II. Weaknesses of the Co-operative Movement:—We have thus seen how varied and numerous are the benefits of the co-operative movement, in spheres of economic, social, moral and education. It satisfies many of the crying social and economic needs of modern society. Nevertheless, it would be a mistake to suppose that it is free from all defects or it is a panacea for all social and economic ills of modern society. It should be borne in mind that the imperfections which exist in all human beings do not disappear all at once, simply because they join a co-operative society. In a community where most of the people join a co-operative society to perform their own social and economic functions, indifference on the part of the majority of people develops, leaving the minority to control its affairs. Sometimes the control passes into the hands of a few officials. Many societies come to be controlled really by a manager or a secretary or an executive officer. This happens generally in small and weak societies having ignorant and illiterate membership

as well in large societies where the majority of the members are indifferent. Indifference on the part of most of the members who take little or no interest in the affairs of a society leave the control of its affairs to a small minority. In many countries the societies are controlled by small groups of interested members and such controlling groups do what they consider is best, for the society. When a society has large membership, say 200,000 or 150,000 as in the case of the London Society or the Co-operative Society in Berlin, or when a co-operative society of employees has 30,000 members, as in Bombay, it is obvious that members cannot come together to transact business and no hall would hold these people. Thus a small minority of the membership dominates. The ideal of co-operation is centralisation of administration and decentralisation of control. That is how efficiency is sought to be secured in a democratic organization. The problem of unwieldy membership in a co-operative society is sought to be solved through delegate representation. A big society divides itself into small regional or local groups. These small groups are local independent bodies and have their own local meetings. They send their delegates to the general meeting of the society which is thus composed of delegates instead of all the original members. The delegates elect the Central Board of the Executive of the society. A few societies in the Bombay State are in this way permitted as a special case to hold general meetings of delegates rather than of original members. This is the method employed also in all large German and Swedish societies, as it makes democratic control practical, while promoting efficiency at the same time. One of the serious difficulties with which co-operation is confronted is that it means work. Members of co-operative societies have to bear the responsibility for the work of the society in order that it should succeed, but experience shows that most people in countries like the U.S.A. are not prepared to spend their time or energy on the business of the society, as it means only a small saving. Besides, people are also not socially-minded in the U.S.A. and the working man, if he has any capital to spare, would prefer to go in for stock which would appreciate in capital rather than put his savings with a co-operative with a moderate return, which is not at all inviting. Another serious difficulty which some of the

retail co-operative societies in England have to contend against is the fact that employees as members of such societies have voted and used their influence to increase their own wages. There are instances of societies also in the U.S.A., the financial position of which is anything but satisfactory, but where the employees are paid higher wages than what their competitors pay. In this way, one society in England was wrecked because of high salaries voted by the employees for themselves. There are other weaknesses also, which require to be called attention to, because they are responsible for the downfall of societies.

2. **Errors in Financial Policy** :—Some societies start with too little capital or allow an unrestricted withdrawal of capital by their members. It is also common to find that sales on credit are permitted. Past experience has shown that failure is certain if members in a co-operative store are given credits beyond the amounts of money they have invested in it in the form of shares or deposits. Similarly, buying on credit from a wholesale store is resorted to by retail societies and hence it cannot buy freely in the market, as it gets tied up to a particular institution. Failure to have the accounts regularly audited at frequent intervals is one of the weaknesses that leaves the society in ignorance of its correct financial standing or of the results of its trading. Similarly, payment of 'divi' on purchases without making adequate provision for reserves being built up is a defect which deprives the society of its resources. Defects of underselling the private stores, selling at cost price and cutting prices require to be avoided at all costs, as the society is deprived of adequate funds for building up surpluses and, in fact, this practice makes savings difficult or impossible, thereby preventing development in the fields of insurance, banking, education and recreation. Thus a society suffering from these defects degenerates into a cheap store and does not deserve to be called a co-operative society. Sometimes it so happens that a co-operative society comes to be established at a wrong place, and there is a wrong selection of goods made by it which do not satisfy the needs of members, and again, goods for which there is no turnover are bought in large quantities, with the result that a considerable portion of its working capital gets

locked up in unsaleable goods. Sometimes, it is also noticed that too much of initial capital is invested in fixtures, fittings and other fixed assets. All these defects require to be removed, if the failure of a society is to be avoided.

3. **Defects of Organization and Management** :—The organization of independent or autonomous consumers co-operatives which are bound to no common policy or subject to no unifying authority, prevents the growth of an effective democracy. When the consumers' co-operatives are established, they need to unite for their own protection under a central authority which would provide for an effective control of the whole system and would represent the co-operative point of view to the outside world. Sometimes, the organization of co-operatives is attempted from the top instead of from the bottom up-wards. Past experience suggests that societies that spring up spontaneously in response to the needs of the people who patronise the business succeed better than those organised by an outside group of people. Autocratic methods on the part of directors or managers would require to be discouraged, while too much interference also on the part of directors with the daily routine limits the efficiency of employees.

4. **Defective Education and Propaganda** :—Many societies start with a membership which is not informed of the ideals and aims of co-operation. Provision for instructions, lectures and distribution of literature are required to be made among members. The social side of co-operation also should receive proper attention. Music, drama, social gatherings and outings are useful. Propaganda of ideas about co-operation is more important for the future of co-operation than the propaganda about trade goods. It is also a weakness to have employees who have no knowledge of co-operation. Recruitment from the Universities is unknown and the adult working men and women who have received university training do not find outlet for their abilities in the service of co-operation at present. Past experience suggests that salesmen and other employees should be well grounded in the principles, aims and ideals of co-operation, if the business is to be a success. One of the many

causes of the limited success of a co-operative store is its failure to associate women in its work. Women are the buyers of goods and their knowledge of the needs of the store is utilised by all successful societies. For the success of any enterprise the loyalty of its members is essential. A society succeeds best that has a membership of people who understand co-operation. Sometimes, the entry of a society into politics or its taking part in religious controversy creates divided membership. Thus factions grow in a society, and it is important to see that all matters external to co-operation are excluded with a view to creating a united membership without cliques or rivalries.

5. **Defects of Marketing Co-operatives** :—The following is the list of causes that lead to the downfall of a marketing co-operative.

(1) Absence of a definite objective in view :—Unless a substantial number of agriculturists in any particular area consider that the existing marketing facilities are inadequate or require to be improved upon in one way or the other, co-operative enterprise brought into being under pressure of extraneous considerations is bound to fail, lacking as it does in spontaneity.

(2) Absence of a real and distinct need :—If the existing agencies perform the various marketing services with the maximum of efficiency and at a minimum cost, it is apparent that a marketing co-operative cannot secure for its members a better return by replacing the existing agency. Thus there should be a real and distinct need for the establishment of a marketing co-operative. There is no magic about the word 'co-operation' and a marketing co-operative started without a distinct need has no future.

(3) The produce sought to be sold co-operatively must be such as to contribute substantially to the income of the agriculturist, otherwise farmers do not take real interest in the running of the organization meant for the disposal of their produce.

(4) Inadequate volume of business :—Unless an adequate volume of business is forthcoming, so as to enable a co-opera-

tive sale society to operate at a minimum cost, and to secure economies of large-scale handling of business, its failure is certain.

(5) Produce for export :—Past experience suggests that co-operative societies for the sale of members' produce succeed best when they deal in produce meant for export and sale in a distant market. If the produce handled is sold in a local market, the advantages to the producer may not be appreciable.

(6) Lack of loyalty on the part of members:—The middlemen are always prone to tempt the agriculturist-producers by offering them better prices for the produce they raise for a temporary while in order to break the marketing co-operative organised by them. Unless the members are in a position to resist such temptation, it would be difficult for a marketing society to survive. That is why before organising a marketing co-operative, the prospective members must clearly understand the functions, methods, and objectives of such a society and must stand by it in case of need, after its establishment.

(7) Human inertia :—It should be remembered that the co-operative movement is a mass movement, and it is not an easy task to persuade the people to participate in the affairs of a co-operative. In the case of a co-operative whose membership is hetrogenous, that is to say, people who do not speak the same language nor belong to the same status, nor have a common ideology, it is difficult to keep up their enthusiasm, unless the performance of an association is adequate enough to keep them together. Unless the human inertia is conquered, the success of a marketing co-operative would be limited. Other causes that lead to the limited success or even failure of a marketing co-operative are listed as below :—

(1) Attempting to operate with too few members.

(2) Attempting to operate with too small margin of income.

(3) Attempting to operate at the very commencement on too large a scale before proper experience is gained.

(4) Lack of education among members in regard to the aims and objects of a marketing co-operative and neglect of true co-operative principles.

(5) Peculiar local conditions :—In an area where people are mutually suspicious of each other, no marketing co-operative would succeed.

III. Weaknesses of the Co-operative Movement in India:— Referring to the extrinsic factors which have retarded the optimum development of the co-operative movement in India, Dr. Miss E. M. Hough writes : "Poverty and malnutrition, the widespread indebtedness which in many provinces tardy steps have been taken to relieve through debt relief legislation, the depressing high percentage of illiteracy and the lack of business experience, uneconomic holdings and antiquated methods, inadequate transportation and storage facilities, the lack until recently of uniform standards of weights, and measures and great price fluctuations, dearth of regulated markets, exploitation by moneylenders and middlemen—these are among the many facets of a problem that call for simultaneous attention supplemented by far-reaching economic and social legislation. Valiant attempts are being made in these directions but much yet remains to be done in them all. It seems undeniable that in the sum total the difficulties which the co-operative movement has had to face in the Indian sub-continent are greater than those with which co-operation has had to contend in the several Western countries where it has had a spectacular success. Even relieving the agriculturist of his burden of debt and making the credit necessary for current needs available at reasonable rates will not greatly benefit him, unless his income can be raised or his expenditure reduced. The former involves consolidation of his holdings, improvement of his land by irrigation or otherwise, the amending of his methods of cultivation, encouraging the pursuit of one or more supplementary occupations or enabling more profitable disposal of his products. The reduction of expenditure involves sound system of land holdings and land revenue assessment, the availability of required supplies as well as credit at reasonable rates, the reduction of unnecessary expenditure on social ceremonies by reforming public opinion, the encouragement of thrift in the form of savings accounts or insurance and especially education which will not only facilitate most of the foregoing objects

but will also help to safeguard the peasant against exploitation. These many facets of the problem complicate the task of the co-operative movement in India and emphasise the necessity for a careful study of the situation, and for concerted action. ...Sporadic attacks are being made in different provinces and States on all the aspects of gigantic problem, but the relative ineffectiveness of effort is coming to be recognised more and more. Certain it is that the best hope of doing lasting good to the beneficiaries of the co-operative movement lies in visualising their problem as a whole and directing the co-operative attack upon as many fronts as possible." Other external factors that have hindered the advance of the co-operative movement in India are the widespread illiteracy and ignorance of the people and lack of business experience coupled with too much dependence of agriculture on climatic factors and of the co-operative movement itself on the economic situation. This is not to say, however, that the movement is free from internal weaknesses, and it is clearly necessary that we should take note of them, in order to be able to remove them. Despite persistent efforts to rectify them, defects such as unpunctuality of payments, fictitious payments, excessive overdues, inefficient control, binami loans, nepotism, inelasticity, inadequacy and dilatoriness of co-operative finance and defective audit are still found with varying degrees in the actual working of the movement. The staff in charge of supervision of the movement is often inadequate and sometimes ignorant and unfit for the work entrusted to it. Managing Committees and Secretaries too often usurp all power to the detriment of the interests of members and the leaders of the movement often display lack of moral courage in dealing with the faults of members and put up with serious irregularities in the working of societies mainly relying on the Government agency to remove them.*

The lack of spontaneity in the Indian Co-operative Movement is also regarded as one of its inherent weaknesses along with its failure to serve the neediest strata of society like the Harijans or depressed classes or aboriginal tribes or landless labourers, etc., though serious attempts have been made during

* Other causes of failum on also mentioned on pp. 241-245.

recent years to bring a few of them in the co-operative fold in States like Bombay and Madras. Too much emphasis on credit leading to the lop-sided development of the movement and the inadequate linking up of credit with thrift or marketing are admittedly weaknesses which are being sought of late to be removed, by the introduction of some sort of controlled credit. Other weaknesses of the movement relate to too much officialisation of the co-operative movement in some States and the failure on the part of officials to fix definitely the limits of departmental efforts and responsibility leading to administrative difficulties. The recent growing trend towards compulsion in co-operative effort is also regarded as one of the most serious weaknesses of the co-operative movement in India by the orthodox co-operators who regard it as a departure from the true ideals of the movement.

In pointing out the defects existing in societies, there is a recognition of the fact that the movement is sound at the core and the weaknesses in most of the societies arise from a lack of co-operators who are inspired by the ideals of co-operation in running the institutions. It is common knowledge that for the proper management of a society a body of selfless men and women is required–men and women who will not exploit the societies for their own selfish ends but would manage them for the maximum good of the people. It is a lack of proper leadership in villages that is responsible for the most of the defects and that is why Sir Fredrick Nicholson summed up his valuable advice to the Indian co-operators in two words "Find Raiffeisen."He further stated : 'What is really wanted is the advent of men of zeal, enthusiasm, devotion and perseverance and labour to solve the difficulties of the problem not on paper but in actual practice. The philanthropic reformers of the East must sit down in the villages, as did their proto-types of the West, and must there establish the petty societies which, as in Europe, shall contain the germ and promise of infinite potentialities. There can be no higher honour for any man than to achieve the role of Schulze-Delitzch or Raiffeisen of India and the possibility of filling that role is within the power of hundreds of men in the Presidency."

IV. External Hindrances that limit the Expansion of the Co-operative Movement in Great Britain.

(1) **Competition from rival systems of economic organization** :—Co-operative associations can be seldom free from the competition of private business enterprises. As the co-operative movement grows more conscious of itself, the essential conflict between the co-operative movement and its rivals is likely to become more pronounced. However, much the co-operative movement may desire to be left alone and live at peace with the rest of the economic world, it will not be permitted to do so, unless it is prepared to accept limits to its expansion. Attempts will be made by the rivals, as has been done in the past, to use the power of the State and of the press to arrest its growth. The co-operative movement must be prepared in all its seriousness to meet this situation.

(2) **Hostility of the State** :—The greatest danger to the expansion of the co-operative movement in Great Britain has arisen from State intervention on the side of large producer interests. The expansion of the co-oprative movement must ultimately depend upon its ability to capture as much of the field as possible now occupied by private enterprise. The policy of Marketing Boards, quota systems supported by protective tariffs, aim at the curtailment of the field for co-operation. Similarly, capitalism sees to it that more competitive businesses are prevented from coming into existence and restrictions imposed on the expansion of the existing ones. If this policy of restriction were permitted to take root, it is certain that the way to co-operative expansion would be definitely closed. If such restrictions are favoured or fostered by the State, it is transparent that the future progress of the movement would be imperilled. The movement must, therefore, be prepared to meet this challenge in the interests of the general body of consumers.

Conclusion :—Apart from the extrinsic factors, it should be remembered that the principle of voluntarism on which the co-operative movement is based provides within itself a limiting factor to its growth. Being a democratic movement, using

"education and conviction" as its main weapons for its advance, its expansion or growth cannot be brought about by a series of legislative measures or by coup de etat, nor can it sacrifice its soul for fattening its body. Co-operation should not be regarded as a magic formula or a wonder drug to cure all the economic and social ills of modern society. Other methods such as labour unionism, legislation, nationalisation to a certain extent and wherever needed, must also be tried. If a co-operative economy capable of yielding the benefits claimed for it is to be established, men and women will have to be converted to a new outlook with view to working together for common ends and this can only be brought about gradually by education, persuasion and convictions of the many in its lofty ideals.

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SOME APPRAISALS

Mr. Kulkarni has taken pains to understand the difficulties of students and has succeeded in a great measure in making complex things simple without evading the complexity. He deals exhaustively with all the problems of structure, orgasation, finance and the relation of the Co-operative Movement to the State. There is a particularly good discussion of the fundamental principles underlying co-operation. The book is bound to be of use also to the practical workers in the Co-operative Movement.

'Times of India', Bombay

In 23 well written and concise chapters, including 3 on economic planning and co-operation, Community Development Projects, Sarvodaya and Co-operation, the author has brought the contents of the book up-to-date which should serve to awaken and enliven the spirit of conscious co-operation in the young folk who adopt the co-operative mode of life for effective solution of present day problems.

Hindu, Madras

The primary purpose of this work is to provide a text book for students at the Co-operative Training College, Poona. It will, however, be found useful by students of co-operation in many other countries besides India. A most useful feature for students is the discussion of major co-operative problems—such as Single Purpose Vs. Multi-Purpose, Centralisation Vs. Federation, Producers Vs. Consumers—which takes the form of a clear marshalling (often in tabular form) of the arguments on each side. This is undoubtedly a *work which should be in the libraries of all Co-operative Unions and Training Colleges especially in the underdeveloped countries.*

Year Book of Agricultural Co-operation, 1956.
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